



# **SUPER POWERS AND THE NON-ALIGNED MOVEMENT 1970-1986**

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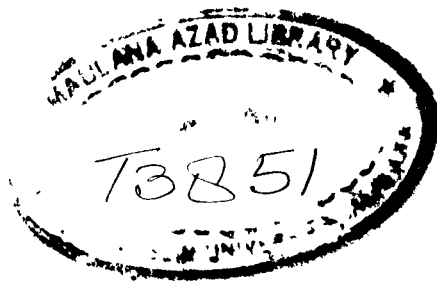
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CERTIFICATE

This is to certify that the thesis entitled "**Super powers and the Non-aligned Movement 1970-1986**" has been carried out by Mr. Nnamdi Okolie Clement under my supervision. The thesis is suitable for submission for the award of the degree of Doctor of Philosophy in Political Science of the Aligarh Muslim University.

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## P R E F A C E

The object of this study is to assess the role of the non-aligned movement in the struggle for ushering in a New International Economic Order and the superpowers responses.

Twenty-five years is but a short period in the history of nations. Yet during this short period the non-aligned movement has travelled a long way. Perhaps at no time in human history a small initiative by some weak and disprivileged nations could be a world force in such a short span in face of reservations, opposition and even open hostility by the powerful and privileged nations of the world.

The human history is an account of the deeds of emperors who made others follow their dictates. It is a saga of conquests by the mighty over the weak. The non-aligned movement has perhaps been the anti-thesis of this age-old pattern. It was a defiance of the historical process which had prescribed hegemony of some over others as a fact of existence. The non-aligned movement was an expression of the innate desire of human beings to stand on their own and assert their identity and independence irrespective of the fact whether they were high or low, big or small, strong or weak. It was the most powerful and articulate expression of something man has always known but could

seldom practice in the form of statecraft that the human spirit cannot be bonded and the people's desires to decide their own destinies must be respected. The era of patronisation had finally come to an end with the dawn of the non-aligned movement.

Non-alignment evolved essentially as a non-bloc movement. But more than that it was a peace movement, a movement born out of the desire to conserve the energies and resources of the world for development to improve the abysmally poor living conditions in a world systematically plundered by the colonial powers over the centuries.

The study examines what has compelled the non-aligned movement and other developing countries to demand for a new international economic order, how these states have pressed their demands, what their major demands in effecting a NIEO are, what has been the degree of these states success or failure in achieving their demands, the factors for the success or failure and what the superpowers responses has been and finally the factors that underlie and explain these responses.

The work is divided into four chapters. Chapter I deals with the history of the non-aligned movement and the superpowers perceptions of the movement. Chapter II takes into account the role of the non-aligned movement for

achieving a NIEO. Chapter III discusses the superpowers responses at the Sixth and Seventh Special Sessions of the UN General Assembly that were called to launch and identify the areas of discussion for a NIEO respectively. Chapter IV discusses some specific problems faced by the Third World Countries in their economic relations with the developed countries, proposals to remedy these problems and the superpowers responses. Finally the outcome of the negotiations on the demands of the Third World countries is discussed.

The concluding part sums up the preceeding chapters with some suggestions for achieving the NIEO.

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## C H A P T E R - I

### HISTORY OF NON-ALIGNED MOVEMENT AND THE SUPERPOWERS

#### PERCEPTIONS

The most notable consequence of the Second World War for post war international relations was the emergence of the US and the USSR as the two mutually antagonistic world powers dominating the world scene. By 1947 the major segment of international relations had become bi-polarized and the cold war had set in. The Soviet and US blocs of States had already engaged in a complex global conflict in which the military, political, economic, diplomatic, ideological, cultural and scientific forces of the two sides were poised against each other in a state of total confrontation; and soon afterwards an attempt was being made by each bloc to draw not only all the Western States, but also the newly independent states of Asia and Africa into the vortex of the cold war by cajolery, threats and temptations. The victory of the communist armies in the Chinese Civil war which was in close political and military alliance with the USSR further intensified the cold war and heightened the apprehensions of the non-communist states, especially of the Western bloc. The coming into being of the NATO in 1949, more or less in fulfilment of Mackinder's prophecy that the North Atlantic States would have to combine in

order to meet the potential challenge from the "heartland" of Russia, initiated a series of military moves and counter-moves in the form of the SEATO, the Warsaw Pact, the Baghdad pact and its successor, the CENTO, in addition to a number of bilateral military pacts, and threatened to envelope the world in a major conflagration.

In order to put an end to the cold war and reduce international tension, Nehru of India, Nasser of Egypt, Sukarno of Indonesia and Tito of Yugoslavia gave an alternative to the world to the current international politics of conflict by launching the non-aligned movement formally on 26 April 1961. To them, the choice during this period was limited to two alternatives. One alternative was the choice of participating in the cold war, inevitably including the military alliances and counter-alliances, possibly compromising to a considerable extent the newly won sovereignty, contributing through conscious and deliberate design to the psychology of war both at home and abroad, and probably also sliding inexorably with the rest of the world into the vortex of a totally destructive third world war. The second alternative choice, was of keeping out of the bi-polar confrontation, preserving the newly won sovereignty and playing an independent role in international affairs, concentrating on domestic economic development

and state-building, and endeavouring to reduce tension and control conflict situations through the United Nations and outside it. The consequences of either choice would have been momentous for the newly freed countries, and the choice had to be clearly made. The second choice became the only rational one.

Several meetings of the representatives of the developing countries were held before the Bandung Conference held from 18 to 24 April 1955, but it was the Bandung Conference which actually led to the formation of the non-aligned movement.<sup>1</sup> The conference was attended by 29 Asian and African countries.<sup>2</sup> The Bandung and other conferences fully endorsed the policy of non-alignment pursued by the newly independent countries of Asia and Africa. They demonstrated the will of these countries to avoid domination by or subjugation to either of the power blocs and to work for the democratisation of international politics. The communique unanimously adopted by the Bandung Conference clearly spelt out the various aspects of non-alignment and these ideas were subsequently reflected in the deliberations of the First Summit Conference of the non-aligned countries held in Belgrade in 1961.

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1. The Non-aligned countries, official publication, translated from Spanish by Dr. Ivo Dvorak, London, Harney and Jones Ltd., 1982, p. 11.

2. Ibid.

The Cairo preparatory meeting :

On the initiative of Nehru, Nasser, Tito, Sukarno and Nkrumah, a meeting of representatives from 22 countries<sup>3</sup> of Asian, African, one European and two Latin American was held in Cairo from 5-12 June 1961 to make preparations for a conference of Heads of State or Government of all non-aligned countries. The representatives at the meeting were convinced that frequent meetings of the non-aligned countries would help advance the interests of world peace, increase international co-operation, and realise the aspirations of millions of people for independence and a prosperous future.<sup>4</sup>

The preparatory meeting adopted the following criteria for issuing invitations to the non-aligned conference :

1. the country should have adopted an independent policy based on the co-existence of states with different political and social systems and on non-alignment or should be showing a trend in favour of such a policy;
2. should be consistently supporting the movements for National Independence;
3. should not be a member of a ~~multilateral~~ military

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3. Two Decades of Non-Alignment : Documents of the Gatherings of the Non-Aligned Countries, 1961-1982, New Delhi, Ministry of External Affairs, Government of India, 1983, p. 1. Hereafter referred to as Two Decades of Non-Alignment.

4. Ibid., p. 2.



alliance concluded in the context of Great Power conflicts;

4. if a country has a bilateral military agreement with a Great Power or is a member of a regional defence pact, the agreement or pact should not be one concluded in the context of Great Power conflicts;
5. if it has conceded military bases to a Foreign Power, the concession should not have been made in the context of Great Power conflicts.

The Cairo meeting unanimously approved of the holding of the Summit Conference in Belgrade.<sup>5</sup>

The Belgrade Summit Conference of Heads of State or Government of the Non-Aligned Countries :

The Belgrade Summit conference, which was held from 1 to 6, September 1961, was attended by 25 member countries and three observer-countries<sup>6</sup>.

The goals and tasks of the non-aligned movement were originally formulated at the Belgrade Conference, whose "Declaration of the Heads of State or Government of Non-Aligned Countries on the Danger of War and Appeal for Peace" said that war is an anachronism and a crime against humanity and that the international community can organise

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5. Ibid.

6. Ibid; p. 5.

its affairs without resort to war. The Declaration stated that "a lasting peace can be achieved only if... colonialism, imperialism and neo-colonialism in all their manifestations (are) radically eliminated"<sup>7</sup>.

Other very important tasks outlined were the need to oppose colonialism, neo-colonialism, racial discrimination and apartheid; to support the national liberation movements; to eliminate foreign military bases; to work for universal and complete disarmament and a ban on nuclear weapon tests; and to press for an end to economic inequality and for the development of an effective economic and trade cooperation between developing countries.<sup>8</sup>

As the movement evolved, these goals and principles were defined more precisely and supplemented with new propositions in line with the changing international situation.

In the Belgrade Summit Conference, Nehru was especially mindful of the threat of a nuclear war and described it as the main task of non-aligned countries as well as of the whole of mankind to oppose such a war. He was aware that the "key to the situation" did not lie in the hands of the conference but in those of the two great powers, the United States of America and the Soviet Union.<sup>9</sup> But he believed

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7. Ibid.

8. Ibid; pp. 6-9.

9. Jawaharlal Nehru, India Foreign policy : Selected speeches, September 1946 - April 1961, New Delhi, The publication Division, Ministry of Information and Broadcasting, Government of India, 1961. p. 361.

that the non-aligned countries could greatly help create opinion against a nuclear war. This was why most of the delegates supported the ideas expounded by Nehru and a document, "Danger of war and Appeal for peace", was adopted by the conference.<sup>10</sup> The document pointed out that the consequences of a nuclear war would affect the entire world and it was the concern of all to avoid it. The conference appealed to the President of the United States of America and the Chairman of the Council of Ministers of the USSR to make immediate and direct approaches to each other in order to avert the nuclear disaster and to establish peace.<sup>11</sup> Thus, notwithstanding the fact that the leaders of non-aligned countries took it upon themselves to make concerted efforts to avert a nuclear war, they believed that a fundamental improvement in the relations between the USSR and the USA was the primary condition for a reduction of international tension.

A correct assessment of the results of the Belgrade Summit Conference of the non-aligned countries can be made in the light of the movement's subsequent achievements rather than its immediate results. Obviously, the conference did not have any immediate effect on the cold war situation.

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10. The Conference of Heads of State or Government of Non-aligned countries, Belgrade, September 1-6, 1961, Yugoslavia, Belgrade, publicisticko - Izdavacki Zavod, 1961, p. 252. Hereafter referred to as Belgrade Summit Documents.

11. Ibid., pp. 264-65.

The despatch of emissaries by the conference to Kennedy and Khrushchev, with a plea to desist from the arms race and to negotiate directly with each other with a view to averting a world conflict, did not bear fruit and the level of hostility and suspicion between the two superpowers did not subside. Within a year of the conference, the Cuban missile crisis developed to the point of eyeball to eyeball confrontation and the rocket forces of the US and the USSR were alerted. Besides, because of this crisis, there was a certain diminution of Cuba's non-alignment. In this sense, the Cuban crisis gave a severe blow to the non-aligned movement.

The non-aligned movement had another setback in 1962 when the Chinese armed forces, which had been having border skirmishes with the Indians since 1957, moved deep into India across a disputed frontier. The massive Chinese invasion of India was unwarranted and unprovoked and its aim appeared to be to humiliate a leading non-aligned country and expose the helplessness of the non-aligned movement. The vulnerability of the non-aligned countries was exposed in a painful manner and the future of these countries did not look bright. However, subsequently, signs of detente between the US and the USSR began to appear, and the Sino-Soviet ideological and border disputes became more acute. The detente legitimised the position of the

non-aligned countries to a certain extent and the Sino-Soviet schism gave India, a leading non-aligned country, a breathing spell.

The Cairo Summit Conference of Heads of State or Government of the Non-Aligned countries :

The Cairo Summit conference of the Non-Aligned countries was held from 5 to 10 October 1964. The number of member-countries participating in the conference rose to 47 and that of observers to 10.<sup>12</sup> The spadework for this conference had been done earlier by the preparatory meeting which was held in Colombo from 23 to 28 March 1964 to recommend the draft agenda for the conference. The conference's "Programme for Peace and International Cooperation" stressed that the only possible means of strengthening peace was peaceful co-existence of states with different social systems. It stated that the right to full independence and self-determination should be accorded to all nations, that states' sovereign rights should be recognised and strictly observed, and that states should refrain from the use or threat of force against the territorial integrity

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12. For details, see Speeches and Statements : Conference of Heads of State or Government of Non-Aligned Countries, Cairo, October 5-10, 1964, Cairo, Ministry of National Guidance, 1964, p. 334.

and political independence of other states. The conference demanded that all states refrain from interfering in the internal affairs of other states, that international conflicts should be settled peacefully, and that all states should work vigorously to ease international tension and effect universal and complete disarmament.<sup>13</sup>

The Summit also agreed that it is incumbent on all countries to facilitate the speedy establishment of a new, more just world system of economic relations.<sup>14</sup>

The six years between the Cairo Summit 1964 and the Lusaka Summit in 1970, were very eventful. China exploded its first nuclear weapon in October 1964, shortly after the Cairo Summit, and Khrushchev was removed from office by his comrades at about the same time. India had a new leader, Lal Bahadur Shastri, after the passing away of Nehru, and he became embroiled in two short wars with Pakistan in 1965. Curiously enough, it was not through the efforts of the non-aligned countries but through those of the Soviet Union's that the Indo-Pakistan relations came to be normalised in early 1966. As in the Sino-Indian conflict four years earlier, the non-aligned countries were unable to mediate in the Indo-Pak conflict, too. The Indo-Pak relations were normal but China's emergence as a nuclear

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13. Two Decades of Non-Alignment, n. 3, pp. 17-23.

14. Ibid., p. 25.

power posed a threat to India and Shastri sent its envoys on special missions to the US and the USSR in quest of safeguards for the non-aligned countries against nuclear attacks.<sup>15</sup> However, Shastri's successor, the late Mrs Indira Gandhi who became Prime Minister in 1966, saw no use in canvassing for support against a nuclear attack.

Other important developments in the non-aligned world were the coups in Indonesia and Ghana which brought to an end the policies of non-alignment of Sukarno and Nkrumah. Egypt had its hands full of its problematic relations with Israel after 1967. As regards Yugoslavia, it started having its old fears of the Soviet hegemony, after the latter's intervention in Czechoslovakia in 1968. In view of the crisis in and pressure on many non-aligned countries, the participants in the consultative meeting of the non-aligned countries agreed that the international situation called for an intensified activity on their part to secure full respect and equal participation in the solution of international problems. For this, it was thought desirable to hold another non-aligned Summit.<sup>16</sup>

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15. Selected Speeches of Lal Bahadur Shastri, 11 June 1964 to 10 January 1966, New Delhi, publication Division, Ministry of External Affairs, Government of India, 1974, p. 24.

16. Two Decades of Non-Alignment, n.3, p. 35.

The Lusaka Summit Conference of Heads of State or  
Government of the Non-Aligned Countries :

The Lusaka Summit Conference of the Non-aligned countries was held from 8 to 10 September 1970. It was attended by delegations from 54 countries,<sup>17</sup> and observers from 9 countries. During the nine years between the Belgrade and the Lusaka conferences, the number of non-aligned countries had greatly increased. This was due not only to the achieving of freedom by more countries as a result of the final disintegration of colonialism but also to the anti-imperialist orientation of the non-aligned policy.

Prior to the conference, detente had improved relations between the two blocs but this did not help the non-aligned feel more secure than earlier. Local wars kept on breaking out and the superpowers got involved in them indirectly, exerting political and economic pressure on the belligerents. Interdependence between nations had generally increased, but the non-aligned were still dependent on the developed countries. They viewed their future as grim and easily identified themselves with the oppressed, the aggressed, the exploited and the racially discriminated. Individually, they experienced an increasing pressure from outside power and chose to cling to non-alignment even more firmly

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17. Ibid., pp. 60-61.



than before, for non-alignment meant at least in theory, freedom and equality, whereas military alignment meant subordination to the powerful members of the bloc.

The first declaration of the Lusaka conference called on the non-aligned to strengthen their solidarity, to continue their struggle against military alliances, for equality in international relations, for disarmament, for structural changes in the global economy, to liquidate colonialism and racial discrimination, to strengthen the UN system and advance mutual cooperation.<sup>18</sup>

In separate resolutions, the non-aligned condemned the Israeli aggression in West Asia, the US aggression on Vietnam and Cambodia and demanded decolonisation of Portuguese colonies in Africa.<sup>19</sup>

The Algiers Summit Conference of Heads of State or Government of Non-Aligned countries :

The Algiers Summit conference of the non-aligned countries was held from 5 to 9 September 1973. It was attended by 75 member-countries, 23 observers and 3 guest countries.<sup>20</sup> The huge attendance was a clear evidence of the non-aligned movement's popularity amongst the smaller states.

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18. Ibid., p. 47.

19. Ibid., pp. 50-59.

20. Fourth Summit Conference of the Non-Aligned countries,

The Algiers Summit took the movement further along the radical road. It was held against a background of positive and negative factors. Detente had come to Europe. SALT-I was already signed. China had moved closer to the US. A new country had emerged — Bangladesh. Mozambique, Angola and Guinea - Bissau had won freedom. America had managed to overthrow the regime of Prince Norodom Sihanouk in Cambodia and installed the puppet regime of Lon Nol. The American war in Vietnam ended in a humiliating defeat for the US. President Nixon of the US had visited China and the USSR, and detente seemed to be holding firm. The Paris agreement on Vietnam was signed in June 1973.<sup>21</sup>

Before the Algiers Summit, a consultative meeting of the UN representatives of 55 non-aligned countries was held at New York in September 1971. In August 1972, a ministerial conference of foreign ministers of 59 non-aligned countries was held at Georgetown to discuss the agenda for the Algiers Summit. These prolonged preparations helped the Algiers Summit to register significant advances.

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Algiers, 5-9 September 1973, New Delhi : Embassy of Democratic and Popular Republic of Algeria, 1973, pp. 1-2. (Mimeograph). Hereafter referred to as Algiers Summit Documents.

21. Hari Jaisingh, India and the Non-Aligned World : Search for a New Order, New Delhi, Vikas Publishing House Pvt. Ltd., 1983, p. 16.

There is no doubt that the Algiers Summit was more detailed in its deliberations and achievements. It became a major landmark in the movement's progress. It issued an Action Programme of Economic Development which was comprehensive.<sup>22</sup> Separate resolutions were adopted on West Asia, apartheid, Namibia, Vietnam, Cambodia, Spanish Sahara etc.<sup>23</sup> It was primarily responsible for initiating actions which led to the formulation of the plan for the New International Economic Order and later the Charter of the Economic Rights and Duties of States by the Sixth Special Session of the United Nations General Assembly.<sup>24</sup>

A new feature evolved at the Algiers Summit, and that was the awareness of the non-aligned countries to preserve their cultural identities which they felt was being tempered with by imperialism.<sup>25</sup>

The intervening period between the holding of the Algiers and the Colombo Summit Conferences was marked by significant changes in the world. By the beginning of the 1970s, majority of nations had attained independence from colonial rule. However, there were still some colonial

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22. For details See Two Decades of Non-Alignment, n.3. pp. 104-108.

23. For details See Ibid., pp. 110-118.

24. United Nations General Assembly Official Records, Sixth Special Session, 9 April - 2 May 1974, pp. 3-9.

25. Two Decades of Non-Alignment, n.3, p. 104.

outposts. The movement had expressed its concern over these colonies and called for early solution.

During the period between the two conferences, the non-aligned countries acted effectively and in a spirit of solidarity. When the whole world was on the brink of a catastrophe owing to the presence of US armed forces, including the nuclear ones, in the Middle East, the non-aligned countries, acting through the Security Council, persuaded the United Nations to bring about a cease-fire and send its forces on a temporary basis to the Middle East, and thus made a substantial contribution to the peaceful settlement of the crisis.<sup>26</sup> This action of the non-aligned countries demonstrated two things, first, that the world did not accept a fait accompli brought about by the great powers and that even the aggressors dared not openly oppose a joint action taken from a non-aligned position; second, that the non-aligned countries could be effective to some extent even in a situation in which the interests of the great powers were involved.

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26. The Arab-Israeli war started on 6 October 1973 when the Egyptian and the Syrian armies simultaneously attacked Israel to get back the territories that they had lost in June 1967. For a detailed account of the war, popularly known, as the Yom Kippur war, see Gunther E. Rothenberg, The Anatomy of the Israeli Army, London, B.T. Batsford Ltd., 1979, pp. 177-202. For Cease-Fire, See UN Security Council Resolution Nos. 338 (1973) and 339 (1973), Official Records of the Security Council, yr. 28, S/PV 1748, Cols. 117-21.

It is important that in this case, the great powers had to accept the proposals of the non-aligned for a cease-fire, and this helped detente among the great powers continue.

The Colombo Summit Conference of Heads of State or Government of the Non-Aligned Countries :

The Colombo Summit conference which met from 16-19 August, 1976, was attended by 86 member - countries, with 9 observer countries and 7 guests.<sup>27</sup>

The Colombo Summit conference noted with gratification that, "since the policy of non-alignment was first advanced more than two decades ago, it had demonstrated its growing impact on the developing international situation and that the non-aligned have played a constructive and effective role in world affairs".<sup>28</sup> There could be no doubt that a movement, which had begun with 25 members in 1961 and had enlisted 86 members by 1976, had every claim to popularity and dynamism; to a certain extent, it could also claim that it had influenced the course of history. To be sure, the state of the world would have been different if this movement had not come into existence. Notwithstanding the success of the movement, the conference was

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27. Two Decades of Non-Alignment, n.3, p. 189.

28. Ibid.

alive to the need "to preserve intact the essential character of non-alignment, maintain unswerving fidelity to its decisions", for these were "the best safeguard against any threat to the integrity and solidarity of the movement"<sup>29</sup>. By the time of the Colombo conference, the non-aligned movement had greatly matured and had become conscious of its historical role.

The conference discussed specific problems and suggested remedies to them. According to the conference, East Timor and Western Sahara should be given the right of self-determination; Belize, ~~Puerto~~ Rico and Djibouti should be given an independent status; the French should get out of Mayotte; Guantanamo, the Panama Canal Zone and Malvinas should be restored to their lawful owners, viz., Cuba, Panama and Argentina respectively, the US forces should leave Korea which should then be united on the basis of North-South Communiqué of 4 July 1972; and Cyprus should arrive at an internal agreement on its constitution, for this would help it regain respect for its Sovereignty and territorial integrity.<sup>30</sup> Besides, the conference wanted the US to end its blockade of Cuba and not to interfere in the affairs of the Latin

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29. Ibid., p. 190.

30. Ibid., pp. 189-233.

American Countries<sup>31</sup>, so that these countries could develop according to their own genius and capability.

The Colombo conference was confident that the pressure of sanctions and world opinion would help the liberation struggles in Zimbabwe and Namibia and free those countries in the near future. As regards South Africa, the conference saw the minority racist regime of the country as entirely unrepresentative of the people. It condemned the attacks of South African forces on the neighbouring African countries and commended Cuba and other states for assisting the latter.<sup>32</sup>

The non-aligned countries took the unambiguous position that Israel should vacate the territories occupied by it during the 1967 conflict.<sup>33</sup> This demand implied recognition of Israel's existence, with the pre 1967 war line of control as a de facto boundary, subject to negotiated adjustments necessitated by security considerations. However, the conference called for sanctions against Israel and its expulsion from the UN, and urged upon all states not to allow the Jews to emigrate to the Arab areas under Israel's occupation. To show their solidarity

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31. Ibid.

32. Ibid.

33. Ibid.

with the Palestine Liberation Organisation, which until this conference had participated in the movement as an observer, the non-aligned countries accorded full membership to it in the Colombo Conference.<sup>34</sup>

The Arabs and the Africans were frustrated with the attitude of Israel and South Africa respectively, and the full support of non-aligned countries to the former two is wholly understandable. Every proposal for a solution of the South African and the Palestinian problems, in accordance with the provisions of the UN Charter, was vetoed by those who supported Israel and South Africa. The non-aligned countries were forced to conclude that the powerful Western countries supported Israel and South Africa to further their self-interest. In this situation, the South African blacks and the Palestinians were left with no options but to take up arms against their oppressors, and the non-aligned countries fully supported this policy.<sup>35</sup>

The non-aligned countries recognised that there was an integral connection between foreign policies and economics. At Colombo, they called for a complete change in the political attitudes of different countries for the

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34. The Non-Aligned Countries, n. 1. p. 14.

35. For details, See the Reports of the Second, Third, Fourth and Fifth Conferences of the non-aligned nations in Two Decades of Non-Alignment, n. 3.



resolution of outstanding problems, including the economic ones. Once again, they pleaded for international co-operation for ushering in a new international economic order and warned that failure to do so would inevitably create confrontation between the North and the South.<sup>36</sup> The conference issued its own Economic Declaration and a detailed Action Programme for Economic Co-operation, the main aim of which was to develop co-operation among the non-aligned and other developing countries in such areas as raw materials, trade, monetary and financial matters, industrialization, food and agriculture.<sup>37</sup>

The Havana Summit Conference of Heads of State or Government of the Non-Aligned Countries :

The Havana Summit conference of the non-aligned countries which took place from 3 to 9 September 1979, was attended by 92 member-countries, one country with special status, 20 observers and 19 guests.<sup>38</sup>

The Havana conference discussed vital international issues which were of interest to hundreds of millions of people across the world. These issues included international peace, detente, complete disarmament, opposition to the aggressive policies of imperialism, complete abolition of

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36. Ibid., pp. 206-08.

37. Ibid., pp. 210-20.

38. Ibid., p. 401.

colonialism in every shape and form, and support to the national liberation movements. The conference also paid considerable attention to the situation in South Africa, the Middle East and Latin America; to the need for dismantling military bases and making the Indian Ocean and the Mediterranean zones of peace; to preserving the territorial integrity of Cyprus; and to the restructuring of international economic relations on a just basis with a view to establishing a new international economic order.

The outcome of the Havana Summit conference was quite satisfactory. No doubt, Namibia then (now independent) continued to witness an armed conflict and the situation there was complex; but intensive multilateral negotiations went on for a transition under the UN aegis. The conference adopted a dual strategy on Namibia : it supported the armed struggle but also pressed for a settlement under the auspices of the UN. As regards Rhodesia, the threat of a change of policy by the new British Government had receded and the non-aligned countries cautiously "stressed that international acceptance and recognition of the results of (the Lancaster House) conference would be forthcoming only if it established genuine majority rule and independence in that country".<sup>39</sup>

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39. Ibid. "Political Declaration", Para 55 .

On the question of apartheid, the main emphasis of the conference was on preventing a nuclear collaboration between the Western powers and South Africa, and thereby ensuring compliance with the Security Council's mandatory arms embargo against South Africa. Following the Iranian Government's suspension of oil sales to South Africa, there was now a possibility that the repeated calls made in the past for an oil embargo could have a substantial impact, even if it was imposed only by the non-aligned countries themselves. At Havana, a direct appeal was made for the first time to the "non-aligned oil-exporting countries to prohibit the sale of their oil to South Africa and to institute and/or intensify efforts to monitor the final destination of their oil (and) to penalise the oil companies guilty of supplying oil to the racist apartheid regimes".<sup>40</sup> To put additional pressure on South Africa, the conference supported the idea of a joint OAU-UN sponsored conference in 1980 on economic sanctions against South Africa.<sup>41</sup> Besides, the Summit Conference called for contributions to the Solidarity Fund for the Liberation of Southern Africa, which had been set up six years earlier at the Algiers Summit conference but had failed to obtain substantial

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40. Ibid. "Political Declaration", para 46.

41. Ibid., "Political Declaration", para. 47.

resources.<sup>42</sup>

As in the past, the Middle East question figured prominently at the conference. The debate on the Middle East was, in fact, a continuation of the debate started at the two preceding summit meetings held in Algiers in 1973 and Colombo in 1976. On the conflict between Israel and the Palestinians, the conference "reaffirmed that the non-aligned movement considers the cause of Palestine and of the Arab territories occupied since 1967 as the cause of all the non-aligned countries"<sup>43</sup>. Therefore, Israel was condemned in the general political declaration, in the specific resolutions on the Middle East, and in the final document of the conference. The conference also condemned the Camp David Accord and the Egyptian - Israel Treaty of 26 March 1979, saying that "a partial agreement and a separate treaty... mean total abandonment of the cause of the Arab countries and an act of complicity with the sustained occupation of the Arab territories and violate the inalienable rights of the people of Palestine".<sup>44</sup>

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42. Ibid., "Political Declaration", para 49. The statement that the fund had not obtained any substantial contribution during its six years of existence is deduced from the request to the chairman of the non-aligned countries "to ensure that the fund becomes operative as soon as possible".

43. Ibid., "Political Declaration", para 105.

44. Ibid., Resolution No. 2.

In view of the Havana conference, Sadat, by making a separate political deal with Israel, had given the Zionists a free hand to colonize the West Bank and the Gaza Strip. The non-aligned movement had time and again equated "the racist regime in occupied Palestine" with that of South Africa.<sup>45</sup> Hence, bartering away of the rights of the Palestinians was tantamount to a betrayal of the cause which the non-aligned movement had solemnly espoused since its inception. Since the Egyptian action had clearly violated the resolutions of the non-aligned conferences, the Havana Summit was left with no choice but to condemn the Camp David Agreements and the Egyptian - Israel Treaty of 26 March 1979.

In addition to the above issues, the problem of economic development of the non-aligned countries took a significant proportion of the time of the Havana conference and covered about 40 per cent of the space in its final documents. While reiterating the need for restructuring international economic order, the conference Economic Declaration indicted the West for the economic woes of the developing countries.<sup>46</sup>

In sum, the most important achievements of the Havana conference were that, inspite of all the imperialist and

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45. The resolution adopted by the Lima Conference of Non-aligned Foreign Ministers in August 1975. Text in Ibid., pp. 165-67.

46. Ibid., pp. 433-59.

reactionary scheming, it recognised the fact that the non-aligned countries had common interests and aims, and was able to maintain the anti-imperialist solidarity and spirit of the non-aligned movement. The conference gave the movement a further impetus to intensify its activities for peace, disarmament, and national liberation and social emancipation of peoples, and against the imperialist policies of aggression and exploitation.

At the conclusion of the Havana Summit Conference, it was hoped that Cuba, Chairman of the Coordinating Bureau, would initiate vigorous decisions of the Havana conference. But the international situation suddenly took a turn for the worse and the New Delhi meeting of Foreign Ministers from 9 to 13 February 1981 noted the deterioration in international relations.<sup>47</sup> The detente between the two superpowers had suffered a setback and the relations between them had declined to a new nadir, reviving the threat of nuclear war. Once again, the non-aligned had begun to feel the pressures of dependent relations.

The New Delhi Foreign Ministers meet identified the main troubled spots as the "Middle East, Africa, particularly Southern Africa, South-West Asia, South-East Asia, the Caribbean and Central America".<sup>48</sup> Moreover, the intervention of the USSR in Afghanistan, and of the US in some

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47. Ibid., p. 501. Para 31.

48. Ibid.

Central American countries, had further aggravated the situation for the non-aligned movement. These interventions were not only a disrespect and threat to non-alignment but also violated the accepted international principles of national sovereignty and integrity. They raised a number of questions concerning the permissible parameters of the right to seek outside assistance for individual and collective self-defence; the absoluteness or otherwise of the principle of non-intervention or non-interference; the duties of states in situations where the human rights of peoples in neighbouring or distant countries are subjected to gross and intolerable violations; the right of societies to determine freely their own destinies even by overthrowing their governments by coups with or without external help; the causes of outside intervention and the appropriate limits of the relationship between internal developments and external interests; and the removal of the causes of external interference. The non-aligned were confronted by these and a host of other doubts.

Other problems that confronted the non-aligned countries includes; the then Iran-Iraq war, and tense situations between other members of the non-aligned; for example, between Malta and Libya, Algeria and Morocco, etc.

The New Delhi Summit Conference of the Heads of State  
or Government of the Non-Aligned Countries :

The New Delhi Summit conference of the non-aligned states was held from 7 to 12 March 1983 and was attended by 100 member-countries and 7 observer countries.<sup>49</sup>

The conference was to be held in Baghdad in September 1982, but was postponed for six months and its venue was also changed. This change was necessitated because Iran, which was then at war with Iraq, warned every non-aligned country that the security of Heads of Government attending the Summit could not be guaranteed. India was requested to host the next Summit Conference.<sup>50</sup>

Prior to the New Delhi Conference, the meeting of the Coordinating Bureau was held in New York on 15 February 1983 under the chairmanship of P.V. Narasimha Rao, the then Minister for External Affairs of India. Later, the foreign ministers of the non-aligned countries met in New Delhi from 3 to 5 March 1983. The foreign ministers submitted their report and recommendations to the New Delhi Summit Conference .

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49. Final Documents, Seventh Conference of Heads of State or Government of Non-Aligned Countries, New Delhi, March 1983, New Delhi, India offset press, 1983, pp. 1-2. Hereafter referred to as New Delhi Summit Documents.

50. Two Decades of Non-Alignment, n.3, p. 601. Paras 59-61.



The main issue before the New Delhi Summit Conference was the threat of nuclear war to the survival of mankind. The conference viewed disarmament, particularly nuclear disarmament, as the precondition for human survival. Therefore, it opposed the stockpiling of nuclear weapons and "found it unacceptable that the security of all states and the very survival of mankind should be held hostage to the security interests of a handful of nuclear-weapon states".<sup>51</sup> It rejected all theories and concepts which justified the possession of nuclear weapons and their use under certain circumstances.<sup>52</sup>

Other issues discussed at the New Delhi conference, includes, the then Iran - Iraq war and demanded the immediate cessation of hostilities by the warring parties.<sup>53</sup> New Delhi also discussed the policy of apartheid in South Africa and condemned the racist regime of Pretoria for its barbarous acts against the black population of South Africa<sup>54</sup>, the Israeli continued occupation of the Palestinian and other Arab territories and its persistent acts of repression against the Palestinians<sup>55</sup>, the Israeli attack on the Iraqi nuclear installations, which was devoted

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51. New Delhi Summit Documents, n.49, p. 12.

52. Ibid.

53. Ibid., p. 68.

54. Ibid., p. 18.

55. Ibid., p. 29.

to peaceful uses of nuclear energy, and described the Israeli action as an act of state terrorism and an unprecedented act of aggression in that a nuclear reactor was attacked for the first time in history. It expressed solidarity with Iraq and all other developing countries which exercised their "right to acquire and develop nuclear technology for peaceful purposes and for their development programme".<sup>56</sup>

On the economic front, the conference reviewed the worsening of the world economic situation since the Havana Summit, and declared that the crisis of international economic relations and the widening gap between the developed and developing countries was one of the "most serious problems and a source of instability threatening world peace and security"<sup>57</sup>. This is why it stressed the need to create an equitable international monetary system which would put an end to the dominance of certain reserve currencies, guarantee the developing countries a role in decision - making, and ensure monetary and financial discipline in the developed countries and a preferential treatment to the developing ones.<sup>58</sup>

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56. Ibid., p. 41.

57. Ibid., p. 81.

58. Ibid., p. 89.

The conference was especially wary of neo-colonialism. It took a serious note of the economic pressures on the developing countries, which threatened their independence and survival. The Chairperson of the conference, late Mrs. Indira Gandhi, warned that the wish to dominate persisted, although the colonial age had ended. Underlining the need to resist neo-colonialism, she observed : "Neo-colonialism comes wrapped in all types of packages—in technology and communications, commerce and culture. It takes boldness and integrity to resist it. There are intense political and economic pressures".<sup>59</sup> In her opinion, the very survival of many of the non-aligned countries, especially those with small populations, was threatened by artificial barriers in trade, technology transfer and access to resources. The situation could be reversed if the non-aligned devised measures to help these small nations to maintain their independence.<sup>60</sup>

Meanwhile, in October 1984 the Chairperson of the Non-aligned conference held in New Delhi, Indira Gandhi, was assassinated and Rajiv Gandhi, her son who became the Prime Minister of India, headed the non-aligned movement for the rest of the term. Rajiv Gandhi appealed to the foreign ministers of non-aligned countries, who were

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59. Ibid. p. 193.

60. Ibid.

meeting in Luanda, Angola, to maintain the unity of the movement and strengthen it as a positive factor in international politics. He also cautioned them that economic, social and political pressures weakened the movement which had taken upon itself to promote international peace and work for a just international economic order. According to him, both these roles were indispensable if the world was to be freed from tensions and a nuclear threat. He complained that at a time when the world was passing through "unprecedented crises", the great powers had not moved towards disarmament and had "a paralysis of will".<sup>61</sup>

The Non-aligned Foreign Ministers Conference at Luanda decided to hold the next Non-aligned Summit Conference in Harare, Capital of Zimbabwe, which indicated that the critical problems of South Africa, Namibia and Africa in general would take priority in the non-aligned programme in the next three years.<sup>62</sup> Besides confirming the next venue, the conference also appointed the prime Minister of Zimbabwe, Robert Mugabe, Chairman of the non-aligned movement with effect from 1986. Addressing the plenary meeting as Chairman of the non-aligned movement on the occasion of the 40th anniversary of the UN, Rajiv Gandhi pledged co-operation and support to prime Minister

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61. Documents of the Conference of Ministers for Foreign Affairs of Non-Aligned Countries - Luanda, September 2-7, 1986, Luanda Ministry of External Affairs, Government of Angola 1986, P.25.

62. Ibid, P. 86.

Robert Mugabe, "the redoubtable fighter for freedom and architect of independent zimbabwe",<sup>63</sup> and urged the non-aligned countries, which faced new and sinister threats of intervention, interference and pressure, to close their ranks and defend their freedom.<sup>64</sup>

Within six months of this warning, intervention did take place and Libya was attacked by the US on 15 April 1986 without any provocation. The foreign ministers and heads of delegations of the non-aligned countries, who had assembled in New Delhi for a meeting of the Coordinating Bureau of the non-aligned movement, were shocked at this attack on a non-aligned country by a superpower. In an emergency session, they strongly condemned the "armed attacks by the USA undertaken with support and collaboration by its NATO military ally, the United Kingdom against the territory of the Socialist People's Libyan Arab Jamahiriya".<sup>65</sup> They described the US air strikes on Libya as an unprovoked and blatant aggression against a fellow non-aligned country. The ministers and heads of delegation demanded an immediate halt to the US military operations which violated the sovereignty and territorial integrity of the socialist People's Libyan

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63. The Times of India, New Delhi, 24 October 1985.

64. Ibid.

65. Ministerial Meeting of the Co-ordinating Bureau of Non-Aligned Countries, New Delhi, April 1986, Document No. NAC/CONF.7/NCB/DOC.8 dated 15 April 1986. para.1.

Arab Jamahiriya, endangered peace and security in the Mediterranean region and posed a grave threat to international peace and security.<sup>66</sup> Besides, they urged the United Nations Security Council to "Condemn this act of aggression and to prevent the repetition of such acts."<sup>67</sup>

The non-aligned countries moved the Security Council demanding of it that it should condemn the American bombing of Libya and call on the US to refrain "forthwith from any attacks or threats thereof."<sup>68</sup>

The US and its allies humiliated the non-aligned countries which were trying to retain their independence. After the US attack on Libya, the clouds of war once again started hovering over the world and tension increased manifold.

The Harare Summit Conference of Heads of State or Government of the Non-Aligned Countries:

The Harare Summit Conference was held from 1 to 6 September 1986 and was attended by 99 member countries.

The conference was deeply concerned with the then Iran-Iraq war and once again appealed to the belligerents

66. Ibid., para 6.

67. Ibid., para 7.

68. The Times of India, New Delhi, 23 April 1986.

to put an end to their tragic conflict so as to "avoid further loss of life and damage to property".<sup>69</sup>

The leaders of the non-aligned movement adopted and forwarded the "Harare Appeal" to President Ronald Reagan of the United States and the Soviet leader, Mikhail Gorbachov, for a permanent moratorium on nuclear tests.<sup>70</sup> The movement had issued a similar appeal to the two great powers at Belgrade when it was founded.<sup>71</sup>

The Harare Summit Conference once again reiterated that the essence of non-alignment was a struggle against imperialism, colonialism, neo-colonialism, apartheid, racism, Zionism, and all forms of foreign aggression, occupation, domination, interference and hegemony as well as bloc politics of the superpowers. It expressed concern at the fact that the security and independence of non-aligned countries were being increasingly threatened by colonialist and imperialist policies, great power and bloc rivalries, the quest for spheres of influence, and the unjust international economic relations.<sup>72</sup>

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69. Eight Summit Conference of Heads of State or Government of the Non-Aligned Countries, Harare, August-September 1986, Political Declaration, NAC/Conf. 8/DOC. 1/Rev. 1/Paras 135-37. Here after referred to as Harare Summit Documents.

70. Ibid., para 44.

71. Two Decades of Non-Alignment, n.3, PP. 9-10.

72. Harare Summit Documents, n. 69, para.15.

The Harare Conference also took decisions on some other vital issues. For example, it demanded a special session of the UN General Assembly to press for the independence of Namibia, and a committee of some member-countries was set up to plead the case of Namibia in the UN. The conference also adopted stiff economic steps against South Africa, pending the adoption of "comprehensive and mandatory" sanctions by the United Nations Security Council. Besides, it appealed to all the non-aligned countries and the international community to "give the front-line and other independent states neighbouring South Africa diplomatic, political, financial and material assistance" to meet the challenge of the racist regime.<sup>73</sup> It was to strengthen these countries that the decision to establish the AFRICA Fund (Action for Resisting Invasion, Colonialism and Apartheid fund) was taken at Harare. The aim of the fund is to strengthen the economic capacity of the frontline states to fight South Africa and support the liberation movements in South Africa and Namibia.

In its economic declaration, the Harare Conference, as had earlier been done in Havana and New Delhi, made a principled and concrete statement for the democratization and normalization of international economic relations, for

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73. Ibid., paras 66 - 118.



the establishment of a new international economic order on a just and equitable basis.<sup>74</sup>

#### The US Perception of Non-Alignment:

President Kennedy expressed the US view of non-alignment in a speech in Seattle on 16 November 1961 in these words: "We find some who call themselves neutrals, who are our friends and sympathetic to us, and others who call themselves neutralist, who are unremittingly hostile to us".<sup>75</sup> Obviously, Kennedy did not accept the non-aligned movement as a whole and discriminated between those who were nearer the US and those who were not. In other words, he divided the non-aligned countries into the "positive" and the "negative" ones, depending on their nearness or distance from the US. Every non-aligned country which did not sympathise with the US was its enemy. Such a position could not be acceptable to many non-aligned countries and the Egyptian Gazette criticised the distinction made by president Kennedy between the "genuine neutrals" and the countries that "don the mask of neutralism to exploit world conflicts to enhance their own power".<sup>76</sup>

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74. For details, See Ibid., "Economic Declaration".

75. The Egyptian Gazette, 18 November, 1961.

76. Ibid.

The viewpoints and policies of non-alignment are diverse. The US overlooks the complexities and diversities of the non-aligned movement and accepts or rejects what suits it in the movement. For instance, the US Secretary of State, John Foster Dulles, described non-alignment as "immoral" but exempted certain countries (such as India) from his blanket indictment. In 1957, he again qualified his views on non-alignment by saying that the Middle Eastern nations were "not neutral toward international communism. They are most strongly opposed to communism. There is no neutrality of spirit at all... in that area."<sup>77</sup> Dulles was soft to certain non-aligned countries because they were anti-communist and indirectly served the interests of US foreign policy.

Similarly, President Nixon, too, had a good word for that section of the non-aligned movement which was anti-communist. He differentiated between a form of neutrality that springs from the desire to avoid participation in military alliances and one that "makes no moral distinction between the communist world and free world.

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77. See Dulles testimony in the President's proposal on the Middle-East, US Senate Committee on Foreign Relations and Armed Services, 85th Congress, 1st Session, Washington, D.C. Government printing office, 1957), part 1, P. 113.

With this viewpoint, we have no sympathy".<sup>78</sup> In his self-righteous opinion, it was normal to oppose the socialist world and support the "free" world. In other words, he could accept non-alignment if the latter helped him in his fight against the socialist bloc; otherwise, he must oppose the movement. In his eyes, the movement was valid only if it advanced the US interests. On another occasion, distinguishing between "military neutralism" and "economic neutralism," on the one hand, and "moral neutralism," on the other, he observed that the American people were "getting a bellyful of so-called neutralism" and that they were fed up to the teeth with some neutral leaders who tried to "blackmail us" and refused to judge the Western and the communist conduct by a "single standard".<sup>79</sup> He was bitter with the advocates of moral neutralism who, he said, often "take our economic assistance eagerly and then proceed to kick us in the teeth diplomatically."<sup>80</sup> Thus, his attitude to the non-aligned movement was not based on the latter's ideology but on whether or not it supported the US foreign policy.

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78. Documents of American Foreign Relations, 1956, New York, Harper and Brothers, 1957, P. 394.

79. Ibid.

80. "Moral Neutralism? Bunk," The New York Herald Tribune, 16 November, 1961.

The US continued to make a pragmatic rather than a principled evaluation of the movement in the Kennedy Johnson period. Despite their misgivings about Sukarno's policies, the American officials had an ambivalent attitude to Indonesia because it was aligned neither with the communist bloc nor with the US.<sup>81</sup> Similarly, the US designated Cambodia both an "aggressive neutralist" (because it was determined to remain non-aligned) and an "effective neutral".<sup>82</sup> The US appreciated the "restrained" non-aligned policy adopted by Nasser's Egypt and commended its "moderating influence" on the Middle Eastern affairs.<sup>83</sup> On the other hand, it was convinced that Algeria's policy of non-alignment was "marked by pro-communist influence" and that the foreign policy of such African States as Zanzibar, Mali and Ghana revealed a pronounced "pro-communist" orientation.<sup>84</sup> Obviously, the US did not take kindly to such non-aligned countries.

The differences among the approaches of the non-aligned countries themselves pose a problem to the non-aligned movement in that they call for harmonisation of the

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81. Testimony of Seymour J. Janow in Hearings, Foreign Assistance Act of 1962, United States House of Representatives Committee on Foreign Affairs, 87th Congress, 2nd Session, Washington, D.C., Government printing office, 1962, P. 768.

82. Testimony of Seymour J. Janow in Hearings, Foreign Assistance Act of 1963, United States House of Representatives Committee on Foreign Affairs, 88th Congress, 1st session, Washington D.C., Government printing office, 1963, P. 752.

83. Testimony of Roger Hilsman, in Ibid., P. 778.

84. Testimony of Frank M. Coffin in Ibid., PP. 607-608. Also See The New York Times, New York, 3 April 1964. Despatch by Peter Braestrup.

different perceptions of the member-countries into a unified vision of non-alignment. These differences also create formidable difficulties for the policy makers in Washington, who can neither accept the movement because of its anti-colonial and anti-imperialist thrust, nor can they outrightly oppose it because of the non-aligned countries which are friendly to it.<sup>85</sup>

#### The USSR'S Perception of Non-Alignment:

The USSR do not condemn the non-aligned movement like the US, nor do they divide the non-aligned countries into different categories as was done by President Kennedy, or call the non-aligned movement "immoral", as Dulles had done. On the contrary, the USSR has consistently supported the movement. The reasons for the USSR'S support to the non-aligned movement are both ideological and political. The aims of the non-aligned movement and the policies of the USSR and other socialist countries have much in common; both struggle for peace and progress; abolition of imperialism, colonialism and racialism; and economic independence of the Third World countries. By supporting the non-aligned movement,

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85. For a useful discussion, see Richard L. Jackson, The Non-Aligned, The UN And The Superpowers, New York, Praeger, 1983, pp. 209-227.

the socialist world propagates and popularises many of its principles which it shares with the Third World Countries. In this sense, the non-aligned platform is an ideological asset to the socialist countries. Besides, the socialist world is interested in strengthening the non-aligned movement because such a development would weaken the imperialist powers which have dominated the world scene ever since the industrial Revolution. Thus, the socialist countries support the non-aligned movement for the same reason for which the US opposes it.

The Soviet Union recognised the importance of the non-aligned movement in the mid-1950s when the movement was in its formative stage. No doubt, during Stalin's period, the Soviet Union was "oriented by the idea that the world is divided into two blocs, the Western capitalistic bloc and Eastern communist bloc. On that basis, they opposed the policy of positive neutrality and non-alignment in its early stage, depicting those who called for this policy as special agents of the Western colonialism and that the policy was suspected as it led to division of anti-colonial front. But later, the Soviet Prime Minister, Malenkov, praised the efforts of peace loving countries to end the Korean war and appreciated the Indian efforts as well.<sup>86</sup>

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86. The Pravda, Moscow, 9 August 1953.

This was the time when international peace was the prime concern of the world and the Soviet support to the non-aligned movement was in tune with the popular mood prevailing in the world. Once the Soviet Union was convinced of the relevance of non-aligned movement to the world threatened by a nuclear war, it continued to extend support to the movement. Supporting the non-aligned countries demand for a New International Economic Order, Gromyko, then Soviet Foreign Minister, told the Sixth Special Session of the UN General Assembly: "The Soviet Union supports demands of the developing states that these tenets which are contained in the relevant declarations adopted by the non-aligned countries at the Fourth Conference of the Heads of State or Government of Non-Aligned Countries in Algiers—should not remain merely on paper."<sup>87</sup>

The socialist world supported and continues to support the just demands of the non-aligned countries, both inside and outside the UN. For instance, the representative of German Democratic Republic to the UN emphasized that the position of his country on the fundamental international, political and economic questions was "in line with or

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87. United Nations, Official Records of the General Assembly, 2210th plenary Meeting, 11 April 1974, P.7.

close to the position of non-aligned states."<sup>88</sup> Similarly, Jacob Malik declared in the UN General Assembly; " ... the position of the Soviet Union on the fundamental economic and international political problems either coincides with, or is very close to that of the non-aligned countries".<sup>89</sup> It was the ideological proximity of the socialist world with the non-aligned countries that made the former support the efforts of the Third World Countries to attain and consolidate their political independence and build a self-reliant economy. This attitude to non-alignment sharply differs from that of the US.

It may be concluded that non-alignment as a foreign policy strategy originated from the desire of the Afro-Asian countries to stay away from military blocs that emerged as a result of the cold war between the US and the USSR and to work for decolonisation, international peace and security and for a world order free of domination and racialism.

The essence of non-alignment demonstrates the non-aligned countries' willingness to avoid domination by or subjugation to either of the power blocs and to work for

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88. General Assembly Debates, Seventh Special Session, 2336th Meeting, 3 September 1975, P.3.

89. Ibid., 2330th Meeting, 3 September 1973, P.110.



the democratization of international politics and avoidance of international war.

The approaches of the US and the USSR to non-alignment differ very sharply. The attitude of the US to the movement is highly ambiguous. The US foreign policy-makers and State Department Officials classify the non-aligned countries into the "positive" and the "negative" ones, or the "genuine" and the "base" ones. Dulles went as far as to call the non-aligned stance "immoral". Such a classification of non-aligned countries by the US reflects its own mistaken understanding of non-alignment, or its desire that the non-aligned movement, to be acceptable, should advance its foreign policy interests. This is why it appreciates some pro-US non-aligned countries and denigrates those which adopt an uncompromising anti-colonial and anti-imperialist attitude. In contrast, the USSR bloc have never found faults with the non-aligned movement. On the contrary, they have always supported it.

During 1961-1986, the non-aligned movement has been able to bring about a change for the better in the attitude of the two blocs to non-alignment and non-aligned countries due to a variety of reasons. Above all, the recognition of the validity of non-alignment in world affairs by the two

superpowers has been possible because of the steadfastness with which the non-aligned countries have held on to <sup>their</sup> policy in face of condemnation, ridicule and pressure of various kinds from the two blocs. The superpowers now acknowledge in principle the right of small and non-aligned countries to independence. Thus, the non-aligned movement has strengthened the sovereignty and integrity of the small and weak countries across the globe.

Another important achievement of the movement has been that it defused or resolved some of the acute conflicts in the world and greatly contributed to the prevention of a third world war. It was no mean achievement of the movement to have made a notable contribution to the maintenance and promotion of international peace and security in the 25 most dangerous years of this nuclear age. This was one of the fundamental reasons why most newly independent states opted for non-alignment in the post-war period. As a matter of fact, the non-aligned states played a stabilizing role in international politics by making the superpowers avoid confrontation with each other and, instead, engage themselves in peaceful competition in developing the backward countries. In any case, the non-aligned states prevented the cold war from turning into a hot or a full scale one. The indefatigable efforts of the non-aligned states to bring an end to the rigidities and distortions

in the mutual relations of the superpowers, have resulted in the resumption of communication between the members of the two blocs. Thus, non-alignment has benefited the world as a whole.

The first conference of the Heads of State or government of the non-aligned countries held at Belgrade in 1961 had strongly opposed the cold war and had regarded peaceful co-existence of states with different social systems as the only alternative to a nuclear holocaust.<sup>90</sup> During the period of 25 years since this conference, the movement has done a lot to reduce international tension and consolidate international peace, peaceful co-existence and non-alignment. Highlighting the noteworthy achievements of the non-aligned movement, Josip Broz Tito observed at the Havana Conference in 1979 that the non-aligned movement had asserted itself as the most progressive world force. He said: "It destroys the foundations upon which the existing unjust international relations rest, and creates conditions for building a world of justice, equality and overall progress."<sup>91</sup> The New Delhi Summit Conference held in 1983 also emphasized the success of the non-aligned

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90. Two decades of Non-Alignment, n.3, pp. 5-10.

91. Tito's address in the general debate, Sixth Conference of Heads of State or Government of Non-Aligned Countries, Havana, 3-9 September 1979, Review of International Affairs, Vol.30, no. 707, 13-14.

movement when it pointed out : "Through the years, despite many obstacles, the movement and the policy of non-alignment have achieved significant success and we have continued to play a decisive role in efforts to promote a new world order based on equality, justice and peace".<sup>92</sup>

The decision to form the AFRICA Fund taken at the Harare Summit Conference have added new dimensions to the non-aligned movement. The formation of the fund symbolises the non-aligned movement's will to take concrete steps to counteract the threat to the independence, political stability and economic development of the member-countries. This new assertion of the non-aligned countries would help contain racism and colonialism and would strengthen national independence of the weak countries and international peace. The non-aligned movement is not against any country but against ideas and international practices that are antiquated and antithetical to the oneness of all mankind. It is not partisan to any country or bloc but favours those forces which stand for human equality, justice and peace. The non-aligned movement has been successful to a very great extent in its aims and has become "history's biggest peace movement."<sup>93</sup>

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92. New Delhi Summit Documents, n.49, P.3.

93. Ibid., P. 193. The Keynote address by Indira Gandhi Prime Minister of India.

However, it may be recalled that the non-aligned movement has not been able to play any significant role in settling the disputes among its members, for instance, the Iran-Iraq war was fought for eight years, while the non-aligned movement did not do much to stop the war and settle the dispute. The Iraqi invasion and occupation of Kuwait is the most recent example and it is shocking to note that upto now (one month after the Iraqi invasion) the non-aligned movement is yet to come up with any proposal on how to resolve the crisis, while tension continues to mount in the region.

The lack of crisis management machinery in the movement appears to be responsible for this lapse.

However, there are now diplomatic efforts initiated by India for formulating a non-aligned initiative in finding a peaceful solution to the Gulf crisis.

The non-aligned movement Foreign Ministers are scheduled to meet at the United Nations in New York in early October in an effort to find a political solution to the confrontation in the Gulf based on the fundamental non-aligned principle of non-violence.<sup>94</sup>

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94. The Hindustan Times, New Delhi, 6 September 1990.

Again, since the major factor that led to the emergence of the non-aligned movement was the cold war between the US and the USSR, some scholars are currently debating the relevance of the movement in the wake of the demise of the cold war and the superpowers rapprochement and the opinion that the movement should wind up seems dominating, but on our part, we may submit that while detente is a happy development, the economic rivalries the economic pulls and pressures, the cultural pulls and pressures, the information pulls and pressures, still exist in the world.

Therefore, unless and until the non-aligned movement reach or fulfil the concept of one world, where there are no military alignments, where there are no economic rivalries, which is a distant dream, non-alignment will have to play a greater role than before in world politics with special reference to the struggle for a NIEO. After-all, non-alignment also stands against economic domination and all other forms of injustice.

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## CHAPTER - II

### THE NON-ALIGNED MOVEMENT AND THE NEW INTERNATIONAL ECONOMIC ORDER

The non-aligned movement's struggle for restructuring the existing International Economic Order stems from the movement's belief in the Third World Framework of international economic order. This framework manifests the non-aligned and other developing countries' struggle for a change in the existing international economic relations as these are based on an unequal power structure. The theoretical basis for this framework has been provided by the structuralists<sup>1</sup> and the

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1. The structuralists like Gunnar Myrdal and Raul Prebisch have pointed out that the Brettonwoods institutions with its principles of free trade and free movements of capital have favoured the centre (developed nations) against the periphery (developing countries), Gunnar Myrdal, Economic Theory and Underdeveloped Regions, London, 1957. Also see him in Rich Lands and Poor; The Road to World Prosperity, New York, 1957. Also see, Raul Prebisch's papers collected in Development problems in Latin America, Austin, 1970. Also see him in "Towards a Trade Policy for Development", UNCTAD Doc., E/Conf./46/3/1964, James A. Caporaso, "Dependence, Dependency and Power in the Global System : A Structural and Behavioural Analysis". International Organization, vol. 32, No. 1, Winter 1978, Raymond D. Duwall, "Dependence and Dependencia Theory : Notes Towards precision of concept and argument". International Organization, vol. 32, No. 1, Winter 1978, and Theotonis Dos Santos, "The structure of Dependence". American Economic Review, vol. 60, No. 2, May 1970. To overcome the problem of unequal relations this framework suggest structural changes in the existing economic order and to a greater extent it reflects the developing countries' stance in the NIEO. It, however, does not analyse fully the Third World's approach towards the establishment of the new world economic order.

Marxists<sup>2</sup> who argue that the demand of the Third World for the establishment of a NIEO is born out of the asymmetrical international relations and exploitative character of world financial institutions. These factors have been brought to the fore by the developing countries at international forums. To stamp out the adverse effects of such a system and to meet the aspirations and expectations of the Third World People. Geoffrey Lean<sup>3</sup>, Mahbub-ul-Haq<sup>4</sup> Gamani Corea<sup>5</sup>, Shridath Ramphal<sup>6</sup> and J. Bandyopadhyaya<sup>7</sup> have emphasized the need for the reorientation of international relations where global economic issues should be discussed and decided in an environment of cooperation and understanding and not by the game of high politics. These advocates of the Third World framework subscribe to the view that a new theory of international relations based on justice, equality and

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2. For Marxists Framework, See chapter III of the present work.
  3. Geoffrey Lean, Rich World, Poor World, London, George Allen & Unwin, 1981.
  4. Mahbub-ul-Haq, The Poverty Curtain : Choices for the Third World, Bombay, Oxford University press, 1978.
  5. Gamani Corea, Need for change : Towards the NIEO, Oxford 1980.
  6. Shridath Ramphal, The Role of the Commonwealth in the context of the International Economic Order, London, Commonwealth Secretariat, 1976. Also see Fidel Castro, The World Economic and Social Crisis , A Report to the Seventh non-aligned conference, New Delhi, People's Publishing House, 1983.
  7. J. Bandyopadhyaya, North Over South ; A Non-western perspective of International Relations, New Delhi, South Asian Publishers, 1982.



interdependence must be developed. According to H.J. Holsti, "the emergence of global interdependence has stimulated important theoretical departures in the study of international relations"<sup>8</sup>. The mutuality of interest's thesis has added a new dimension to the question of global interdependence.

The Third World framework, therefore, must stress on the "communion of interests" otherwise the North which is beneficiary in the present order might not agree to the demand of the South for structural and institutional changes in the present order.

This therefore, is the basis to comprehend the non-aligned struggle for a NIEO.

Non-alignment is not only a political doctrine but also stands for a new world economic order. The present economic order is based on inequality, exploitation and injustice to the developing countries and needs to be changed; for the single greatest threat to world peace at the moment is the enormous economic disparity among nations. Today, the world economic system faces a crisis; it experiences such strains as stagnation in the developed market economies,

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8. K.J. Hotsti, et. al., eds., Why Nations Realign : Foreign Policy Restructuring in the Post-war period, London, George Allen & Unwin, 1982. Also see R.O. Koehane and J.S. Nye, Power and Interdependence, Boston, 1977.

a structural underdevelopment in the developing countries, and slowing down of the rate of growth in the socialist world. In this difficult situation, the complex issues of interdependence are not being adequately appreciated. The developing countries often complain that their interests are being adversely affected by the policies of the developed world, while the developed countries blame the developing countries for mismanagement and sub-optimal utilization of resources. There is an urgent need to transcend this tendency to apportion blame since human freedom and survival are at stake.

The present crisis is rooted in the economic order established after 1945, which excluded from itself a large part of the world. Besides, the system was based on the assumption that it was inherently stable. But this stability was eroded from within due to the internationalization of capital, lack of sanctions or non-compliance with the accepted rules and the emergence of new entities whose behavioural rules were not fully understood. In due course, an international economic order, based on the operation of transnational oligopolistic forces, emerged. This order is not conducive to the establishment of a just and equitable world order. The international economic situation demands urgent measures by the political leaders of major powers, but there is a deadlock in the international negotiations on the development issue.

The struggle of Afro-Asian and Latin American countries for reshaping the world economic relations has a long history.<sup>9</sup> This struggle has acquired new dimensions which distinguish it from its previous phases. The developing countries now demand not just minor changes in the present pattern of world capitalist relations but the establishment of a new world economic order. This is so because there is an intimate relationship between non-alignment and the struggle for a NIEO. "The Heads of State or Government", says the Economic Declaration of the Seventh Conference of the non-aligned countries in New Delhi,

regard their efforts in this direction as an integral part of the general struggle of their peoples for political, economic, cultural and social liberation.<sup>10</sup>

In theory and practice, the non-aligned movement and the struggle for a NIEO are complementary to each other. The movement has tackled foreign economic matters from the very outset and these became increasingly decisive

9. The economic situation and demands of the developing countries cannot be understood without a fairly clear description of how the present world order has evolved. For a clear historical background, See Lars Anell and Birgitta Nygren, The Developing countries and the World Economic Order, London, Francis Pinter Publishers Ltd., 1980, Chapter 1.
10. Final Documents : Seventh Conference of Heads of State or Government of Non-Aligned Countries, New Delhi, 1983, New Delhi, Offset press 1983, p. 83. Hereafter referred to as New Delhi Summit Documents.

and on a level with political problems as the former colonies gained independence.

This course of events is quite natural. Lenin distinguished two successive stages in the liberation movement — the struggle for political and then for economic liberation, the latter making the former real and lasting.<sup>11</sup> For that reason, once the young states or developing countries put an end to colonial oppression, they immediately placed on the agenda the surmounting of their economic backwardness, and that cannot be achieved without changing their unequal and dependent position in the world capitalist economic system.

There are certain compelling factors that are responsible for the non-aligned seeking a NIEO.

The non-aligned states' attack on the existing international economic order was multi-pronged and advanced various reasons, economic as well as non-economic to justify their stand for the reshaping of the world economic order. The economic argument was highlighted by structuralists like Raul Prebisch, and Gunnar Myrdal. They argued that the present international economic order tended to favour the

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11. See V.I. Lenin, "The Special Significance of the Serbo-Bulgarian Victories", Collected Works, Vol. 18, Moscow, Progress Publishers, 1973, p. 398.

already endowed and thwarted the illendowed.<sup>12</sup> They emphasise that world's economic system has still not emerged from the colonial era and as such reinforces the same old international division of labour resulting in asymmetrical relations between the developed (centre) and developing countries (periphery). Though these asymmetries have been continuing since the last 500 years,<sup>13</sup> yet their impact on the development of developing nations has been a post-war phenomenon.

During the early stages of capitalism, the centre robbed the periphery of its valuables and potential wealth.<sup>14</sup> Later during the colonial rule when capitalism had taken a definite shape, imperialism took the form of huge profits from unequal trade.<sup>15</sup> All through these years the periphery economies were subjected to capitalist exploitation. The dependencia theory born out

12. See the refereinces in n.1.

13. Ved P. Nanda, ed., The Global Human Rights Public Policies : Comparative Measures and NIEO Strategies, Boulder, 1981, p. 21.

14. Dealing with primitive capital accumulation about India's importance, Marx writes : "Good fortunes spring up like mushrooms in a day, primitive accumulation went on without the advance of a single shilling". Karl Marx, Capital, vol. 1, Moscow, 1961. p. 753.

15. Sandor Suranyi, "The economy of Independent India", in Jozsef Nyilas ed., The Changing Face of the Third World : Regional and National Studies, Budapest, 1978, p. 203.

of the experience of Latin American states is a pointer to this fact.<sup>16</sup> The dependence of the developing countries has stemmed out of international inequality, power and wealth. This situation has been termed as "Imperialism problematique" by Herb Addo,<sup>17</sup> and neo-colonialism by Nkrumah who puts it as :

The essence of neo-colonialism is, that the state which is subjected to it, is in theory independent but has all the outward trapping of international sovereignty. In reality its economic system and thus its internal policy is decided from outside.<sup>18</sup>

Neo-colonialism i.e., informal imperialism is not a new phenomenon and throughout history, economic penetration of weak countries has paved the way for foreign political as well as economic control if not outright domination or conquest.<sup>19</sup> But in the twentieth century, neo-colonialism

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16. The dependencia theories focus the economic, political and social distortions of peripheral societies that result from incorporation of these societies into the international capitalist system. See for details, Raymond D. Duwall, n.1, pp. 51-78.

17. "Imperialism problematique" means exploitation resulting from inequality and dependence. For details see Herb Addo, "Foreign policy Strategies for achieving the New International Economic Order : A Third World perspective", in Charles W. Kegley Jr. and Pat McGowan, eds., The political Economy of Foreign policy Behaviour, California, 1981, p. 238.

18. N. Nkrumah, Neo-colonialism : The Last Stage of Capitalism, London, Nelson and Sons, 1965, p. 9.

19. The examples of domination of European powers over China during the second half of the nineteenth century by unequal treaties by which China was "opened up" to

has been perpetuated by the industrialized states through the mechanisms of foreign trade, aid, loans, etc. These instruments have been frequently used by the developed nations to foster client-patron relationship on the one hand and to reward an ally (carrot) and to punish a state for non-compliance (stick) on the other. The actor of greater need of lesser capability in the functional area is more dependent on the actor of lesser need and greater capability and gives the latter the authority to threaten to sever the relationship whether it is one of trade, of aid, or of some other value.<sup>20</sup> India's experience in this context is relevant. In 1971, during the India-Pakistan war, the US government expressed its displeasure about India's participation in Bangladesh war and threatened to stop economic aid to India. Such political pressures and economic sanctions have become the hallmark of international relations. E.H. Carr foresaw this dilemma in 1941 when he wrote that "the

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foreign traders, and investors. Great Britain also dominated the Persian Gulf, Iraq, Southern Iran by applying her military and financial power to establish protectorates and quasi-protectorates and the US achieved a quasi-imperial position in Latin America without territorial possession (except for Puerto Rico. See for more details, Klaus Knorr, The Power of Nations : The Political Economy of International Relations, New York, Basic Books Publishers, 1975, pp. 252-254.

20. This lopsided interdependence results in international asymmetry and exploitation. See for details, Ibid., pp. 222-223.

future dilemma of the international system would be one of striking a balance between self-determination and the economic, technological and military dependence of the sovereign units on the other".<sup>21</sup>

In this way, the continuance of neo-colonialism made the small developing states realise that the political decolonisation was only a flag and anthem ceremony.<sup>22</sup> Their de jure political decolonisation had been replaced by de facto economic colonialism.<sup>23</sup> Since there is a close relationship between wealth and power, the small states feel that the international system has given them neither security nor development and they are being sucked into the global power politics despite the announcement of detente by the superpowers. Analysing the Superpowers

21. E.H. Carr, The Future of Nations : Independence or Interdependence, London, Kegan Paul, Trench, Trubner, 1941, as cited in James A. Caporaso, n.l., p. 16. Also see Peter R. Baehr, "Small States : A Tool for Analysis", World Politics, Vol. 27, No. 3, April 1975, p. 458.
22. Tony Smith, "Changing Configurations of Power in North-South Relations Since 1945", International Organization, vol. 31, No. 1, Winter 1977, p. 2.
23. Ervin Laszlo, et. al., ed., The Objectives of the New International Economic Order, New York, Pergamon Press, 1980, p. 17.



Strategies, Sisir Gupta writes :

To fight their own battle in the Third World is one way of ensuring that their own worlds are not touched by their conflict and that they retain a great measure of position to escalate and de-escalate their conflict according to their relationships.<sup>24</sup>

In recent years some large states like Brazil, India, Indonesia, Mexico, Nigeria, Argentina, Iran, etc. because of their economic strength have emerged as significant regional powers and can enter the selected band of countries. But they have little potentialities to influence the politics of superpowers. While addressing the Fourth Non-aligned Summit in 1973, Indira Gandhi voiced her disenchantment with the politics of the superpowers thus :

A new era of polycentrism and detente had begun.... However, side by side with these favourable developments, there continues to exist areas of instability and conflict, of repression and injustice of domination and discrimination.... Attempts to order the world in the interest of a few countries have not been wholly abandoned.... The deliberate induction of armaments in the name of promoting regional balance and the arming of small nations beyond the limits that can be sustained by their own socio-economic structure, all these threaten peace.<sup>25</sup>

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24. Sisir Gupta, "Great Power Relations, World Order and the Third World", Foreign Affairs Reports, vol. 27, Nos. 7-8, July-August 1978, p. 134.

25. See Indira Gandhi's speech at the Fourth Non-aligned

Despite the emergence of local leviathans like Brazil (Latin America), India (Asia), Nigeria (Africa)<sup>26</sup>, the international political system continues to be a feudal system in which there are a few "top dog nations" and a series of "under dog states"<sup>27</sup> and strings of the global economy are in the hands of a few industrialised countries of the West. Mahbubul Haq has also expressed similar views that international relations are dominated by feudalism instead of democracy and equality of opportunity.<sup>28</sup> As such, these relations are "oligarchic"<sup>29</sup> and need to be replaced by democratic relations.

Summit at Algiers, 6 September 1973, Ministry of External Affairs, External Publicity Division, Government of India, New Delhi, 1973, p. 15.

26. See B.N. Mehrish, "India and the New International Economic Order" in Surendra Chopra, ed., Studies in India's Foreign Policy, Second edition, Amritsar, 1983, p. 40. Jim Brooke calls Brazil as superpower of the South. See Jim Brook, "Date line Brazil : Southern Superpower", Foreign Policy, No. 44 Fall 1981, pp. 167-173.
27. Marshal R. Singer, "The Foreign Policies of Small Developing States", in James N. Rosenau, Kenneth W. Thompson and Gavin Boyd, eds., World Politics : An Introduction, London, Collier Macmillan, 1976, pp.271-276.
28. Mahbub-ul-Haq, n.4., p. 163.
29. For details of the text of the speech of Mir Afzal Khan, Leader of Pakistan delegation see the official records of UNCTAD-IV, 129, Plenary Meeting, Nairobi, 11 May 1976, p. 87.

Apart from the economic and political reasons, there are psychological compulsions which have compelled the non-aligned and other developing countries to demand the restructuring of the existing international order. Their grievances are not about the lack of money, but about the loss of dignity and recognition. I.G. Patel Deputy Administrator of the UN Development Programme has rightly touched upon this aspect by arguing that :

Most of the developing countries have such bitter memories of colonial exploitation or racial and other forms of discrimination that deep underneath the desire for economic progress lies the psychological need to put the hurt and humiliation behind them once and for all. What the developing countries really want on a psychological plane is to regain their sense of dignity and self-respect which they enjoyed for long centuries and which they lost only during the brief period of western domination.<sup>30</sup>

David A. Singh of Guyana also remarked : "The most pernicious legacy of colonialism was the inferiority complex"<sup>31</sup> He suggested that the non-aligned countries with 66 per cent of population could devise a new order to change their subservient position to a dignified one. Otherwise the fact of being have-nots of the world will continue to influence their complex of collective

30. As cited in Geoffrey Lean, n.3., p. 60. For similar views see J. Bandyopadhyaya, n.7., pp. 18-22.

31. Statement of the leader of delegation of Guyana at UNCTAD-III. See the official records of the proceedings of UNCTAD Third Session, Santiago, vol. 1, 1972, p.113. Also see Indira Gandhi's speech, n.25., p. 6.

inferiority<sup>32</sup> because they have neither military nor technological power to march the dominant forces in the present world.

The moral and humanitarian imperatives also press for radical changes in the existing economic order. There is marked inequality between the developed nations (consisting 1/3 of world's population) and the poor nations (consisting 2/3 of world's population) in respect of gross national product, per capita income, health standard, technology, etc. The per capita income of about two dozen industrialized countries is between \$ 3000 and \$ 6000, whereas that of hundred or more underdeveloped countries is about \$ 100. Jan Tinbergen rightly points out :

We have today about 2/3 of mankind living—if it can be called living—on less than 30 cents a day. We have today a situation where there are about one billion illiterate people around the world, although the world has both the means and technology to spread education. We have nearly 70 percent of the children in the Third World suffering from malnutrition, although the world has the means to feed them. We have maldistribution of world's resources on the scale where the industrialized countries are consuming world's resources on a scale 20 times more of the resources than the poor countries. We have a situation where in the Third World Millions of people toil under a boiling sun from morning till dusk for miserable rewards and premature death without discovering the reasons why ?<sup>33</sup>

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32. See Sisir Gupta, n.24, p. 113.

33. As cited in Jorge Lozoya, et al. eds., Alternative views

Frantz Fanon described poverty as the "Shrunken bellies" of the mass of the people in the Third World. This outlines "what has been called the geography of hunger"<sup>34</sup>. Such an environment of poverty and inequality in the south, is not a natural phenomenon or the result of accident.<sup>35</sup> Many factors may be attributed for such a sordid state of affairs, including the role of historical factors, resulting in the helplessness and underdevelopment of the Third World. Frost Hailey has drawn a horrifying picture of poverty and helplessness of Bolivia under the

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of the NIEO and Analysis of Major Academic Research Reports. Also see Robert S. McNamara, One Hundred Countries Two billion people : The Dimension of Development, New York, 1973. Also see Barbara Ward, et.al. ed., The Widening Gap Development in the 1970s, New York, Columbia University Press, 1971.

34. For details see Tony Smith, n.22, pp. 19-20.

35. The developing countries are the late comers on the international scene and also new to the process of industrialisation. Moreover, some of them like India have started both political and economic democracies at the same time. History has no example of any country raising itself from poverty to prosperity through its own unaided efforts and that too with liberal democracy. See B.K. Nehru, "Western Democracy and Third World", Third World Quarterly, vol.1, No. 2, April 1979, pp. 57-65. For contrary views see William Arthur Lewis, The Evolution of the International Economic Order, New Jersey, Princeton University Press, 1977, pp. 4-13.

domination of Rockefeller and Rothschild Multinationals. He describes the conditions of workers in Mines where maximum temperature is 125 degrees and humidity 95 percent. The rock dust fills the air and the lungs. For 8 hours or more of work a day the men labourers receive a wage of 135 bolivians (62 cents). 60 per cent workers suffer from tuberculosis. Half of the babies die within their first year and those who survive have a life expectancy of 35 years. But the labour contractors get more money for recruiting workers<sup>36</sup> than what the workers earn. What is true of Bolivia applies to all other Third World Countries. Frantz Fanon has described the poverty of the South and opulence of the North thus ;

European opulence is literally scandalous for it has been founded on slavery, it has been nourished with the blood of slaves and it directly comes from the soil and sub-soil of that underdeveloped world. The well-being and progress of Europe has been built up with the sweat and dead bodies of Negroes, Arabs, Indian and yellow races.<sup>37</sup>

These descriptions prove that the developing countries remained a "captive"<sup>38</sup> and subordinate periphery locked in the vicious circle of dependency that created dissatis-

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36. See Hershel D. Meyer, The Last Illusion : America's Plan For World Domination, New Delhi, People's publishing House, 1955, pp. 92-93.

37. As cited in Tony Smith, n.22., pp. 19-20.

38. Kuniko Y. Inoguchi, "Exit and Voice : Dependency since OPEC'S Initiative" in Charles W. Kegley, Jr. and Pat McGowan, eds., n.17, p. 256.

faction and frustration among the countries of the Third World. To get rid of dependency and to follow an independent foreign policy there were two options; first autarky and second verbal protests. Albert O. Hirschman described these as exit option and voice option respectively.<sup>39</sup> The exit option implied that the developing countries should make an exit from the existing international economic and political arena and devise ways and means for development in isolation. This type of strategy was adopted by Albania, China etc after the deterioration of their relations with the Soviet Union. Even Hoxha, the Foreign Secretary of the Communist Party of Albania spoke highly of this policy when he said :

The policy of our country is not the policy of those states with a hundred flags in their pockets. Our People's Republic does not lower its flag either before blackmail and terror, or before the rouble or the dollar.<sup>40</sup>

Despite her economic problems Albania preferred independence to economic comfort.<sup>41</sup> But according to Holsti,

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39. As cited in Kuniko Y. Inoguchi, Ibid.

40. As cited in James A. Caporaso, n.1., p. 17.

41. Though China lent Albania \$ 123 million for industrial development, yet she had to cut back her industrialization programme, especially because China deliveries were slow. See for details, Klaus Knorr, n.19, pp. 147-148.

the economic and political costs of autarky may be higher than the costs of continued dependence.<sup>42</sup> Moreover, examples of pure delinking on economic grounds are very few. In case of economic reprisals taken either by the US or Soviet Union on political and ideological grounds, the target country was able to establish economic ties with the other. Albania was able to expand her ties with the capitalist world and Cuba with the Soviet Union.<sup>43</sup> If economic ties with one superpower (US) gives political freedom and denies the opportunities of autonomous development then ties with the other (USSR) bring the reverse results.<sup>44</sup>

This explains why the developing countries are not demanding autarky but wanting to reverse the process of historical links of trade, aid, investment, technology and asking the developed countries to give 'development' a rightful place in international relations.<sup>45</sup> They believe that without international cooperation and universal peace

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42. K.J. Holsti, et al., eds., n.8, P.201.

43. See for details, Klaus Knorr, n.19, pp. 146-150.

44. See James Lee Ray, "Dependence, political Compliance and Economic performance : Latin America and Eastern Europe", in Charles W. Kegley, Jr. and Pat McGowan, ed; n.17, PP. 111-132.

45. P.K. Mittra, "A Note on the New International Economic Order", Discussion Papers Series, No.69, University of Calgary, Canada.



they cannot pursue the path of development.<sup>46</sup> Such views were expressed by Nehru as early as in 1929. While delivering the Presidential address at Lahore Congress he declared :

India today is a part of world movement. If we ignore the world, we do so at our peril.... Having attained freedom, I have no doubt that India will welcome all attempts at world co-operation.<sup>47</sup>

At the same time he struck a note of caution that global economic development, cooperation and peace would not be possible amidst poverty, hunger, misery, malnutrition and inequality. While addressing the Canadian Parliament on 24 October 1949, Nehru declared :

There can be no security or real peace if vast number of people in various parts of the world live in poverty and misery. Nor there can be a balanced economy for the world as a whole if the underdeveloped parts continue to upset the balance and drag down the more prosperous nations.<sup>48</sup>

He spelt out the connection between international security and global economic development. This formed the nucleus of wide-ranging discussions, debates and negotiations at the various international forums. Thus from India's point of view, the exit

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46. This was the theme of speeches of the representatives of the developing countries at the Sixth Special Session, 1974.

47. As cited in K.B. Lall, "Nehru and International Economic Cooperation", in B.R. Nanda ed., Indian Foreign Policy : The Nehru Years, New Delhi, Vikas, 1976, p. 185.

48. Ibid., p. 188.

option cannot break the vicious circle of dependency hence it is ruled out.<sup>49</sup> This position is accepted by all the other Third world countries.

The other option left to the developing countries was the "Voice option" through which they could explore the solutions to their problems. Voice option essentially implied the "North-South Dialogue," the mechanism through which the North could be persuaded to respond favourably and meaningfully to the South's requests for larger economic benefits such as preferential trade agreements, higher export, prices of their commodities, improvement in the quantity and quality of aid etc.

The process of unfolding of the generic linkages between the struggle for a NIEO and the non-aligned movement has passed through three stages : (i) growth of awareness; (ii) identification and articulation of objectives and the taking of the first few steps and (iii) militancy and assertive action on the part of the

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49. Manubhai Shah, leader of the Indian delegation at UNCTAD-I remarked that realistic as we are, we in India, alongwith all the other nations, do believe that a down-to-earth approach alone can help to make this conference successful.... India would like to regard the conference as initiating a "new era of understanding and action" through a series of steps in different sectors of international trade and development in concrete and precise terms. See for details, India's views, Official Records of UNCTAD-First Session, Vol.1, Geneva, 25 March 1964, p.218.

developing countries to usher in a NIEO. These three stages were roughly conterminous with the 1950s, the 1960s and the 1970s. The first stage was characterized by a growing awareness on the part of the non-aligned countries that a reordering of international economic relations was essential for their growth and development. This awareness was reflected when issues related to the reordering of international economic relations were raised at the Bandung Conference of Asian-African countries held in 1955.

In fact, even before the collapse of the colonial system, many leaders of the national liberation movements had consistently advocated unity of action against the imperialist powers to resist their economic domination and exploitation. These leaders above all included Nehru, Nasser and Sukarno. Subsequently, it was due to their initiative that the First Afro-Asian Conference was held at Bandung in Indonesia in 1955. This conference signalled the political birth of the Third World. Despite the limited number of delegates who attended it<sup>50</sup> and despite their differences on many economic and foreign policy issues, the Conference marked the beginning of the non-aligned movement with its anti-imperialist thrust. The

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50. The total number of delegates were 29. Asia-Africa Speaks From Bandung, Jakarta, The National Committee For the Commemoration of the Thirtieth Anniversary of the Asian-African Conference, 1985, P. 41.

delegates to the conference voiced their opposition to colonialism and adherence to non-alignment and they raised the question of economic relations with the developed West in a prominent way. The delegates vociferously questioned the existing international economic relations and underlined the need for a radical change in them. For example, the Egyptian President, Nasser, emphasised that world peace was not "merely the absence of war. It requires concerted endeavours to create conditions of political stability, economic development and social justice; all being essentials for the development of a healthy society."<sup>51</sup> The delegates found that the circumstances and problems of their respective countries were largely similar. Pointing to the similarity of circumstances of the host country, Indonesia, the Libyan delegate said that they were faced "with a host of problems of a very similar nature, whether they be political, economic, social or administrative."<sup>52</sup> The delegates identified the domination of national economies by the developed West as the main obstacle to their economic development and political stability.

The Afro-Asian Conference had identified the main obstacles to the Socio-economic development of the Third

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51. Ibid., P. 55.

52. Ibid., P. 86.

World and, in its final communique,<sup>53</sup> it expressed the urgent need for promoting economic development in the Asian-African countries. The Communique reflected the general desire of the participating countries for economic co-operation among themselves on the basis of mutual benefit and respect for national sovereignty. To promote economic co-operation among the developing countries, it suggested such ways as joint projects and exchange of information with a view to working out a common political line on oil production and refining. Even at that early stage of economic development of the newly independent countries, it suggested the expansion of exports by these countries, not only of their traditional goods but also of the goods manufactured by their national industries. It also proposed that the developing countries should press the UN for the setting up of a special UN Fund for the economic development of backward countries. The Bandung principles underlay the decisions of the First Conference of Heads of State and Government of non-aligned countries held in Belgrade in September 1961.

To be sure, in the 1950s, the non-aligned countries showed an awareness of the importance of economic issues, but they did not sharply focus on the generic linkages between the non-aligned movement and the struggle for a

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53. Ibid., For the Communique on Economic Co-operation, See, PP. 141-143.

NIEO. This was because, at this stage, the non-aligned countries were pre-occupied with the political aspects of decolonization and preservation of peace and their independence and national sovereignty. World politics was dominated by the strategic security paradigm and it is no wonder that at a time when their survival itself was at stake, these countries did not concentrate on anything else, including the international economic relations. Besides, the non-aligned countries were not yet fully acquainted with the complexities of economic management and they took their time to understand the functioning of the international economic order which was established after World War II and its long-term consequences for their development. Perhaps, they even nursed the hope that the existing international order might not be altogether inimical to their well being. It was time and experience that gradually convinced them that it was a vain hope. At any rate in the 1950s the economic issues remained by and large in the background in their international politics.

During the second stage, in the 1960s, the generic linkages between the non-aligned movement and the struggle for a NIEO became more apparent; for the non-aligned countries succeeded not only in identifying and articulating the important elements of the NIEO they were seeking to build, but also in taking some steps with a view to

realising them. Subrata Banerjee gives two reasons for this development. First, it was during this period that the atmosphere of detente grew. Secondly, US imperialism began the drive to secure total command over the economies of the developing countries as way out of the crisis facing it after the end of the Korean war boom and of the Marshall plan.<sup>54</sup>

The major components of imperialist strategy were adverse terms of trade, control over raw materials and closer integration of the post-colonial economies into the process of transnationalisation of the world Capitalist economy through technical and financial collaboration, increasing indebtedness and a balance of payments crisis. It was a vicious circle.

The Belgrade Summit (1961) formally brought into existence the Non-Aligned Movement. At the same time it initiated the intervention of the new movement in a new area of international relations. The economic gap between the developed and developing countries arrested the attention of the Belgrade Summit Conference of the non-aligned countries. The Conference gave a call to "remove economic

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54. Subrata Banerjee, Non-Alignment Today: Challenges and Prospects, New Delhi, Allied publishers Private Limited, 1985, P. 150.

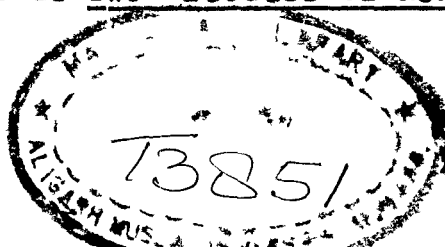
imbalance inherited from colonialism and imperialism" and "close through accelerated economic, industrial and agricultural development, the ever-widening gap in the standards of living between the few economically advanced countries and the many economically less developed countries."<sup>55</sup> It also recommended the immediate establishment and operation of a United Nations Capital Development Fund. Besides, to protect the interests of economically less-developed countries, it demanded just terms of trade for them and in particular, "constructive efforts to eliminate the excessive fluctuations in primary commodity trade and the restrictive measures and practices which adversely affect the trade and revenues of the newly developing countries".<sup>56</sup> The participating countries invited all the countries in the course of development to cooperate effectively in the economic and commercial fields so as to face the "policies of pressures" adopted by the industrialised countries in the economic sphere.<sup>57</sup> They also called upon the non-aligned to convene an international conference to discuss their common problems and to reach an agreement on the ways and means of repelling all damage which might hinder their development and

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55. Two Decades of Non-Alignment: Documents of the Gatherings of the Non-aligned Countries, 1961-1982, New Delhi, Ministry of External Affairs, Government of India, 1983, P.8. Hereafter referred to as Two Decades of Non-Alignment.

56. Ibid.

57. Ibid.





to discuss and agree upon the most effective measures to ensure the realisation of their economic and social development.<sup>58</sup>

The Belgrade conference strongly criticized the imperialist policy of perpetuating the economic backwardness the Third World had inherited from the colonial era. Speakers at the conference made an impassioned appeal to bridge the widening gap in the Standards of living of people in the developed and developing countries. President Abdul Nasser of Egypt spoke eloquently at the conference of the plunder of under-developed countries by the imperialist powers. He cited numerous facts of ruthless exploitation of the developing countries by the Western powers and called for an end to this exploitation if international peace and political stability were to be maintained. He said :

It is essential now to afford the greatest possible chance of progress to the nations which have not completed their economic and social development.

We must bear in mind that there can be no stability in a world where such scandalous differences as we see today exist between the standards of living of nations.

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58. Ibid.

The world we live in today is one world; its fate whether in peace or war is one. We have all shared in the creation of man's civilization throughout history; the Centres of learning have moved from one continent to another.... We have all contributed to the creation of the prosperity of those privileged today.<sup>59</sup>

Echoing the opinions of the non-aligned states on international economic relations, Ibrahim Abboud, Prime Minister of Sudan, said that the disparity in the economic and social fields which characterized the world and divided its people into the rich and the poor, was one of the main bases of unrest and anxiety permeating international relations which gave rise to psychological trends which did not "inspire satisfaction and content", and it sowed "the seeds of envy and hatred." Therefore, he recommended the liquidation of the old economic order and that economic development be based "from the start on solid foundations.... Putting an end to the economic differences existing between the countries of the world."<sup>60</sup>

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59. The Conference of Heads of State or Government of Non-aligned Countries, Belgrade, 1-6 September 1961, Belgrade, publicisticko - Izdavacki Zavod, 1961, P.50 emphasis mine. Hereafter referred to as Belgrade Summit Documents.

60. Ibid., PP. 64-65.

In turn, King Hassan II of Morocco appealed to the advanced countries to review the policy they had hitherto followed in their relation with the underdeveloped countries, as it was time for them to renounce their selfishness and to make the earth's riches and technical knowledge available to the nations which lacked them. He, too, like the other non-aligned states, believed that sharing of technical knowhow and wealth of the world by all its countries was necessary, because

the concentration of wealth and technology in the hands of one-third of mankind is creating a dangerous imbalance in the world. This imbalance should not lead to tension between the developed and underdeveloped countries, but should on the contrary inspire a common desire for co-operation in building a better world founded on a just and sounder distribution of wealth.<sup>61</sup>

As is clear from the above discussion, the Belgrade Conference was acutely aware of the disastrous consequences of the economic imbalance between the developed and the developing countries, and it also wanted the international economic relations to be restructured.

Meanwhile a second important event occurred in 1961, this was the declaration of the 1960s as the First Development

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61. Ibid., P. 200.

Decade by the United Nations. The resolution doing this contained a grand global strategy for the Third World development and is the first clear acceptance of international responsibility for development. The UN was meant primarily for peace-keeping but it had inherited a tradition of involvement in economic matters from the League of Nations. During the 1950s, this took the form mainly of a technical assistance programme though of course, the IMF, the World Bank and its specialized agencies were active. By 1961 however, the complexion of the UN had changed greatly. Decolonization was no longer a contentious issue and, in fact, a growing number of newly independent countries were being admitted to the membership of the UN. U Thant, a Third world national also took over as Secretary-General at this time. All these factors propelled the UN into a more active involvement in international economic relations and development issues.

The two strands of development running through the 1960s and 1970s, one in the non-aligned movement and the other in the UN and its agencies have generally worked so as to reinforce one another. The non-aligned movement provides a forum where different perceptions of the world economy can be articulated, conflicts of

interest resolved and a charter of demands enunciated. The UN and its agencies on the other hand provided a forum where such charters could be negotiated with the developed countries of the West and the East. The link between the two is provided by the Group of 77 which includes all the developing countries and which emerged as a caucus in UN debates and negotiations on economic matters at the First UN Conference on Trade and Development (UNCTAD-I) in 1964. The symbiotic role of the non-aligned movement and the UN system has been consistently recognised in various communiques and declarations of the non-aligned Summits.

The non-aligned movement has played a key role in forging a unity of outlook on economic matters amongst developing countries. Many of the ideas that have gone into the demand for a NIEO were first articulated in meetings of the movement. The ability of the movement to do this is a product of two factors. One factor as pointed out by Nitin Desai, is the gradual increase in membership. The representative character of the movement has increased to a point where it virtually coincides with the larger Group of 77. In fact the increase in membership led to growing emphasis on economic issues because of the presence of Latin American states whose

perceptions of economic dependence were particularly acute and because political issues became increasingly contentious with widening membership and unity could only be maintained by shifting the emphasis to economic matters.<sup>62</sup> The second factor has been pointed out by L.K. Jha, an informed participant and observer of international economic negotiations :

In the absence of any other organization of developing countries, non-aligned meetings provided the only forum for giving attention at political levels to the emerging problems of the Third World, while the Group of 77, which includes all developing countries operates at the level of delegations to evolve a coordinated strategy in international conferences rather than as an inter-governmental body.<sup>63</sup>

The North-South debate on economic relations can be said to have started at the First UNCTAD in 1964. In December 1962, a decision was taken in the UN to convene a conference on trade and Development. The proposal was promoted by the Third World countries which were unsure about their development prospects because of declining commodity prices and the impact on their exports with

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62. Nitin Desai, "Non-alignment and the New International Economic order," in U.S. Bajpai, ed., Non-Alignment: perspectives and prospects, New Delhi, Lancers Publishers, 1983, P. 178.

63. L.K. Jha, North-South Debate, Delhi, 1982, P.38.

the emergence of the European Economic Community (EEC). The importance of this proposal stems from the fact that the Third World countries did not accept the framework of institutions which constituted the liberal order, notably GATT which had proposed an international trade conference under its auspices.

This conference which was one of the largest gatherings of its kind discussed international commodity problems, trade in manufactures and semi-manufactures, improvement in the invisible trade of developing countries, finance and the impact of expanding trade on regional groupings.<sup>64</sup> It was during those deliberations that the Group of 77 developing countries emerged as a united group to confront the developed world. According to the Group of 77 spokesman at Geneva, the UNCTAD-I

ushered in a new era of international endeavour for accelerating the process of development and leading the way towards a more just and fair international cooperation, set a stage for enlarging the role of the United Nations in the field of international trade and broadened the concepts of negotiation and cooperation by incorporating new conciliation procedures for resolving the economic issues facing the community of nations, and provided a unique

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64. Indian Institute of Foreign Trade: UNCTAD-II, A Step Forward, P.10.

opportunity to make a comprehensive review of the problems of trade as well as aid in relations to economic development, especially from the point of view of accelerating the pace of development of the developing countries.<sup>65</sup>

The Final Act of the Conference was described by U. Thant as "the culmination of efforts and discussions over almost two decades" and the Conference itself "an event of historical importance likely to have a significant impact on international cooperation for decades to come."<sup>66</sup> By the end of 1964, the UN General Assembly had established the Conference as an organ of the Assembly with a fifty-five-member Trade and Development Board, four Committees and a Secretariat Constituting the permanent organisation. With this, a major institution was added to the UN system to serve as the focal point for debating issues of trade and development.

Though UNCTAD-I was the forum at which detailed negotiations were attempted, the crucial input came from the non-aligned movement which helped to articulate a common negotiating position for the developing countries.

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65. Ibid., P. 11.

66. Cited in Nitin Desai, n. 62. P. 179.



In July 1962, a Conference on the problems of Economic Development was held in Cairo under the auspices of the non-aligned movement in which thirty-one developing countries, including Latin American countries, participated and five more attended as observers. This was possibly the first conference of its kind ever held and the declaration issued at the end of the conference put forth many of the ideas which were to dominate later discussion. However, the most significant recommendation of the Conference was that the governments of all developing countries and, not just of the non-aligned movement, should continue consultation in order to :

exchange information and views on questions regarding economic relations with industrial countries; concert mutually the attitudes to be adopted by them with regard to economic questions examined by international organizations; exchange views and prepare the ground for concerted action in connection with any negative efforts of integration policies of industrial countries.<sup>67</sup>

The decisive role of the Cairo Conference in pushing the UN towards the summoning of the First UNCTAD has been recognised by independent observers. In fact, it

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67. Cairo Declaration of Developing Countries, Cairo, 1962, P. 13. Hereafter referred to as Cairo Conference.

has even been suggested that at Cairo it was more or less decided that E.I. Kaissouni of Egypt and Dr. R. Prebisch would act as President and Secretary-General of the proposed international Conferences.<sup>68</sup> The Cairo conference is also a significant landmark in the evolution of the developing countries as a structured pressure group with coordinated view, an evolution which culminated in the formation of the Group of 77 at the First UNCTAD in 1964.

The promise of the First UNCTAD was not really fulfilled and the proposals included in the Final Act met with a great deal of resistance from the developed countries. Though many reasons have been advanced for this, but Desai has pinpointed two major ones, one was the US involvement in the Vietnam war and the internal difficulties in the EEC.<sup>69</sup> However, some small success were achieved in the Kennedy Round of Tariff Negotiations in certain new facilities provided by the IMF and at the Second UNCTAD held in New Delhi in 1968.

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68. Cited in Nitin Desai, n. 62, P. 180.

69. Ibid.

Meanwhile the Cairo Summit Conference was held in 1964. Here, for the first time was the existence of "sound and solid economic foundations" related to peace. It also noted the failure of the "structure of world economy and the existing international trade and development,... to promote international action to rectify serious and growing imbalances between developed and developing countries." This was obviously related to the experience of the First Session of the UNCTAD, whose results were considered "neither adequate for, nor commensurate with the essential requirements of developing countries."<sup>70</sup> At the same time the Geneva conference was seen as "the first step in the evolution of a new international economic policy for development."<sup>71</sup>

Of great significance in this context is that the Summit Called :

... upon all states to implement on an urgent basis the recommendation contained in the Final Act of the United Nations Conference on Trade and Development and in particular to cooperate in bringing into existence as early as possible the new international institutions proposed therein, so that the problems of trade and economic development may be more effectively and speedily resolved.<sup>72</sup>

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70. Two Decades of Non-alignment, n. 55, P. 25.

71. Ibid.

72. Ibid.

Cairo also called for "a new international division of labour" to hasten the industrialisation of developing countries and the modernization of their agriculture to strengthen their domestic economies and diversify their export trade.<sup>73</sup>

Going beyond the broad approach to mutual cooperation among developing countries at Belgrade, the Cairo Summit, encouraged by the experience of 1962, considered it necessary to :

Call upon participating countries to concert measures to bring about closer economic relations among the developing countries on a basis of equality, mutual benefit and mutual assistance, bearing in mind the obligations of all developing countries to accord favourable considerations to the expansion of their reciprocal trade, to unite against all forms of economic exploitation and to strengthen mutual consultation.<sup>74</sup>

Thus began the articulation and collective struggle for the restructuring of the international economic system, at two inter-related levels, creation of new structures at the global level and increasing mutual economic cooperation among the developing countries.

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73. Ibid.

74. Ibid., P. 26.

We may add here, that the demand for a NIEO in the sense it is being made today was first voiced by the delegates to the Cairo Summit Conference.

The 1970s marked the third stage in the unfolding of the generic linkages between the non-aligned movement and the struggle for a NIEO. The achievement of the non-aligned countries in the 1960s in transforming the international economic order was rather insignificant and, consequently, the mood of these countries in the 1970s was marked by determination, self-assertion and even militancy to usher in the NIEO. The Third Non-aligned Summit Conference held in September 1970 in Lusaka reflected this mood and was a landmark in that it set the new tone of the non-aligned countries and drew up a blueprint for assertive action to be taken by these countries for the establishment of the NIEO. It brought the economic component of the movement into full focus and adopted a separate, full-length Declaration on Non-alignment and Economic progress in which it laid down specific guidelines for the member-countries to base their policies and action programmes on.

At the Lusaka Conference, the member-countries decided to foster mutual co-operation among the developing

countries so as to impart strength to their "national endeavour to fortify their independence; to contribute to each other's economic and social progress by an effective utilization of the complementarities between their respective resources and requirements."<sup>75</sup> The establishment of a new world economic order had acquired a priority in the programme of the non-aligned movement and it had started taking concrete steps to achieve the new order.

Certain broad trends in the evolution of the position during the latter half of the 1960s and early 1970s are worth mentioning. First, growing impatience with external curbs on the pace and pattern of their growth, led to militancy in many countries. Secondly, the solidarity of the Third World continued to grow and provide political backing for the movement to bring about structural changes in the world economy. Thirdly, in many Western countries, there was growing pressures of opinion to meet some of the demands of the developing countries, a pressure articulated at governmental level mainly by countries like Sweden and the Netherlands.<sup>76</sup>

The movement towards a reordering of international economic relations was effectively halted in the early 1970s by the monetary crisis and the oil crisis. The

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75. Ibid., P. 48.

76. Nitin Desai, n. 62, P. 181.

origin of the monetary crisis lay in the very nature of the Bretton Woods system in which the pace of reserve creation was determined essentially by the US deficits which generated dollars in the hands of other Central banks. By mid-1971, there was a massive dollar surplus which just could not be absorbed by the Eurodollar market and the crisis that emerged could not be resolved by the short-lived Smithsonian Agreement of December 1971. By March 1973 the fixed-exchange regime was in effect abandoned and all major currencies started to float. One major component of the liberal international economic order was in shambles.<sup>77</sup>

Towards the end of 1973, the monetary crisis was followed by the first oil crisis. This had been building up for some time as the prices of the Middle East oil declined in absolute terms right up to 1970. The oil exporting countries were clearly unhappy with this situation but found themselves powerless to do anything as the entire complex of exploration, production, transportation and marketing was in the hands of Western oil companies. However, they had established the Organization

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77. Ibid.

of Petroleum Exporting Countries (OPEC) in 1960, though, upto 1970, their basic demand for an equitable price for oil remained unfulfilled. From 1970 onwards, the situation started changing for the better because of growing pressure from militants like Libya and Algeria and the growing pressure of demand.

In September 1973, the non-aligned Summit Conference was held at Algiers. The Algerians who were in the forefront of the movement to revise oil prices and restructure the international economic order prepared well for this meeting. The Algiers Summit Conference assessed the progress toward a new world economic order. As its Economic Declaration says, the conference found that a great majority of advanced countries still had a desire to perpetuate "the present order to their own advantage, with only superficial heed to the preoccupations of the developing countries". This attitude of the developed countries practically nullified the attempts of non-aligned countries to make progress and accounted for the failures of the first decade. The declaration said that "the unsatisfactory implementation of the Recommendations of the Third UNCTAD, and the disappointing results of the first three years of this decade have jeopardized achievement of the goals of the international



strategy of development."<sup>78</sup> This is why the Algiers Conference suggested to the UN General Assembly to "give priority to drawing up a charter of economic rights and duties of states... at its 28th Session."<sup>79</sup>

These unhappy developments revealed a growing awareness of the economic dimensions of continued colonial domination. The political Declaration asserted :

It is also essential to ensure a genuine independence by eliminating foreign monopolies and taking over control of national resources and utilising them for the benefit of the people....

In this respect, international security can be achieved only if it includes the economic dimension, which guarantees all countries the right to use their own programmes of development without economic aggression or any other form of pressure.<sup>80</sup>

Algiers added a third dimension to the struggle for restructuring the world economic system. The Action Programme for Economic Cooperation had a whole Section on cooperation with the socialist countries for the

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78. Two Decades of Non-alignment, n. 55, P.99.

79. Ibid., P. 103.

80. Ibid., P. 94.

first and only time so far. It declared :

The non-aligned countries are determined to encourage the development of scientific and technical cooperation with the socialist countries, primarily by signing inter-governmental conventions, by creating the necessary mixed commodities and by strengthening relations among the interested organizations and institutions.<sup>81</sup>

It also called upon the socialist countries to provide in their plans for trade with developing countries in manufactures and semi-manufactures and provide favourable terms to increase trade and economic and scientific and technical cooperation.<sup>82</sup>

Thus, in the field of international economic relations, the Algiers conference endorsed the position taken by the Lusaka Summit Conference and further developed it into a strategy of "self-reliance". In this sense, at this conference the non-aligned countries took a significant step toward economic independence : instead of addressing demands to the developed countries, they formulated their own perspective for the solution

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81. Ibid., P. 107.

82. Ibid., PP. 106-107.

of international economic problems, economic development of the world and radical changes in the existing international economic relations with a view to establishing a new international economic order. The conference removed the artificial dilemma of non-aligned countries as to whether confrontation or co-operation with the advanced countries was the best way to solve the international economic problems. It stressed that, in the coming period, the solution of acute economic problems lay in the co-operation between the developing and the developed countries, for such co-operation advanced the interests of both.

However, the conference did not exclusively depend on the goodwill of the advanced countries and drew up an Action Programme of Economic Co-operation among the non-aligned themselves, for it felt that the "responsibility for ensuring the rapid development of their countries primarily rest with themselves."<sup>83</sup> Therefore it decided that co-operation among the developing countries should be expanded and that these countries should strive to achieve certain goals. It enumerated fourteen such goals<sup>84</sup> which included promotion of

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83. Ibid., P. 104.

84. ECDC Handbook; Documents of the Movement of Non-aligned Countries and the Group of 77, New Delhi: Ministry of External Affairs Government of India, 1983, PP. 19-21.

trade among the developing countries, encouraging inter-regional trade, establishment of monetary co-operation, and development of mass communications in order to facilitate joint-measures and exchange of ideas.<sup>85</sup>

The deliberations of the non-aligned countries in their various conferences culminated in their demand for the establishment of the New International Economic Order. They believed that such an order was indispensable for strengthening the basic principles of national sovereignty, independence, justice and equality, which they had included in their basic Declaration and which was unanimously accepted by the Sixth Special Session of the UN General Assembly.<sup>86</sup>

The notion of the new world economic order is rooted essentially in the principle of sovereignty over national resources, which was asserted in the Declaration of Economic Rights and Duties of States,<sup>87</sup>

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85. Ibid.

86. See Programme of Action on the Establishment of a New International Economic Order, General Assembly Resolution, 3202 (S-IV), New York, May 1974.

87. Charter of Economic Rights and Duties of States, General Assembly Resolution, 3281 (XXIX), New York, 12 December, 1974.

adopted in the same year as the Declaration on the new order. Therefore the primary role of the New International Economic Order is to help establish such rules, mechanisms and codes of behaviour in international relations as would permit the development of national economies without foreign interference, thereby ensuring the full growth of national genius and creative capabilities. In fact, the term 'new international economic order' appeared for the first time in the Economic Declaration of the Algiers Summit.<sup>88</sup>

Two major developments followed Algiers. The first was the oil price hike and oil embargo. The Algiers Summit had concluded a few weeks before. In recommending the need to set up "bodies of solidarity to defend the interests of the primary producer countries". The Economic Declaration had already commended the efforts made by the Organization of petroleum Exporting Countries (OPEC) for the large-scale exploitation of their natural resources, as "significant proof of the power and effectiveness of coordinated and concerted action".<sup>89</sup>

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88. Fourth Summit Conference of the Non-Aligned Countries, Algiers, 5-9 September 1973, New Delhi, Embassy of Democratic and popular Republic of Algeria, 1973, P. 101.(mimeograph) Hereafter referred to as Algiers Summit Documents.

89. Two Decades of Non-Alignment, n.55, P. 102.

The decision of OPEC to raise oil prices, according to Subrata Banerjee acted as a great morale booster to the non-aligned, though it hurt them the most. It was in a sense the first major step towards the assertion of sovereign right over a nation's natural resources, one of the major components of restructuring the world economic system.<sup>90</sup>

The second important development was the adoption in May 1974, of the Declaration on the Establishment of a New International Economic Order and Programme of Action on the Establishment of a New International Economic Order, at the Sixth Special Session of the UN General Assembly. This was followed by the adoption of the Charter of Economic Rights and Duties of States, in December the same year at the 29th Session of the UN General Assembly.

The Sixth Special Session of the UN General Assembly was indeed a great achievement for the non-aligned and other developing countries. It was the outcome of more than a decade of struggle. The proposals

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90. Subrata Banerjee, n. 54, P. 153.

contained in the two Declarations on the NIEO evolved stage by stage from 1959 onwards. It first emerged as a formulation of some needs of newly liberated countries for their economic development. Since 1961 the issue had become an essential component of the Non-Aligned Movement. From 1964 the battle was launched within the UNCTAD, where the Group of 77 was formed. It had largely been a fruitless battle. It had failed to evoke any significant response from the advanced capitalist countries to matters of crucial importance to the developing countries. On the contrary every proposal of these countries at different international forums had been arrogantly rejected.

The Declaration on NIEO clearly stated :

We, the Members of the United Nations...  
Solemnly proclaim our united determination to work urgently for the Establishment of A NEW INTERNATIONAL ECONOMIC ORDER based on equity, sovereign equality, interdependence, common interest and cooperation among all states, irrespective of their economic and social systems which shall correct inequalities and redress existing injustices, make it possible to eliminate the widening gap between the developed and the developing countries and ensure steadily accelerating economic and social development and peace and

justice for present and future generations.<sup>91</sup>

The Declaration also admitted :

It has proved impossible to achieve an even and balanced development of the international community under the existing international economic order. The gap between the developed and the developing countries continues to widen in a system which was established at a time when most of the developing countries did not even exist as independent states and which perpetuates inequality.<sup>92</sup>

The Programme of Action, in different Sections, covered the fundamental problems of raw materials and primary commodities as related to trade and development, the international monetary system and financing of the development of the developing countries, industrialisation, transfer of technology, regulation and control over the activities of transnational corporations, promotion of cooperation among developing countries, assistance in the exercise of permanent sovereignty of states over natural resources, and strengthening of the

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91. Declaration on the Establishment of a New International Economic Order, UN General Assembly Resolution No. 3201 (S.VI) of 1 May 1974. See Appendix-I.

92. Ibid.



role of the United Nations system in the field of international economic cooperation. The Declaration also included a special programme and emergency measures "to mitigate the difficulties of the developing countries most seriously affected by economic crisis, bearing in mind the particular problem of the least developed and land-locked countries."<sup>93</sup>

The emergency measures visualised relief and development assistance to the most seriously affected developing countries. The industrialized countries were called upon to contribute immediate relief and assistance through a series of special measures. The emergency measures included the setting up of a special Fund under the auspices of the UN. The IMF and the World Bank were also asked to help.

The Charter of Economic Rights and Duties of States laid down the Fundamentals of International Economic Relations, which said :

Economic as well as political and other relations among states will be governed, inter alia, by the following principles :

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93. General Assembly Resolution 3202 (S.VI), 16 May 1974, Also see Subrata Banerjee, n. 54, PP. 154-155. Also see Rahmatullah Khan, "The struggle for World Resources," Foreign Affairs Reports, Vol.XXIV, No.7 July 1975, PP. 112-113.

- sovereignty, territorial integrity and political independence of States;
- sovereign equality of all States;
- Non-aggression;
- Non-intervention;
- Mutual and equitable benefit;
- Peaceful coexistence;
- Equal rights and self determination of peoples;
- Peaceful settlement of disputes;
- Remedying of injustices which have been brought about by force and which deprive a nation of the natural means necessary for its normal development;
- Fulfilment in good faith of international obligations;
- Respect for human rights and fundamental freedoms;
- No attempt to seek hegemony and spheres of influence;
- Promotion of international social justice;
- International co-operation for development;

- Free access to and from the sea by land-locked countries within the framework of the above principles.<sup>94</sup>

It is evident that the Declaration on the NIEO and the Charter of Economic Rights and Duties of States incorporates the substance of the basic aims and objectives of the struggle of the post-colonial societies to achieve what might be termed their second liberation. It is equally evident that these two documents have now become instruments for the process of complete decolonisation or the final collapse of the colonial system. From the very beginning it was clear that the adoption of the Declaration and the Charter was only the beginning of a complex process. It is primarily an economic process, but is determined by the changing international political relations, the structure of the emerging international information system born of the marriage of space satellites and the microcomputer, the pattern of economic interdependence and cultural and other forms of cooperation, and the international security environment.

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94. Cited in Subrata Banerjee, n. 54, pp. 155-156.

Later in September 1975, the Seventh Special Session of the UN met to carry further the ideas embodied in the concept of a NIEO and passed a resolution on "Development and International Cooperation".<sup>95</sup>

In all these developments the role played by the non-aligned movement has been recognised as, for instance, in the speech of Kurt Waldheim, the then UN Secretary-General to the Seventh Special Session.<sup>96</sup> It is also clear that OPEC'S power and the support it got from all developing countries persuaded the West to take a more accommodating attitude.

At the Seventh Special Session, the developing countries sought a large variety of objectives to be realised through a series of comprehensive regulatory measures.<sup>97</sup>

In the years that followed, the Declaration on the NIEO and the Charter augmented the bargaining strength of the developing countries. They provided

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95. A/PV, 2326 (S-VII), 1 September 1975, PP. 13-17.

96. J.S.Singh, A New International Economic Order, New York, 1977, P. 21.

97. For details See Chapter Four in the present work.

the umbrella under which the struggle for complete decolonisation could be carried on in all international forums. They provided the ethos of non-alignment. The two documents created conditions for mobilising support from countries outside the non-aligned movement, particularly the socialist community, the non-imperialist capitalist countries, and on certain issues even one or the other big capitalist power, taking advantage of its conflicts with the US. Above all the two documents created the international sanction necessary and the framework for mutual cooperation among the developing countries themselves. The efforts to secure the implementation of the programme of the NIEO and even the emergency measures of the Special Programme of the Declaration, soon convinced many of the non-aligned countries that the measure of their success would ultimately be their own economic strength, based primarily on mutual cooperation.

After the NIEO Declaration, the focus of the Non-aligned movement shifted more and more to working out a programme for economic and technological cooperation among the developing countries themselves. The political struggle was not abandoned. There was no illusion that the economic programme could be implemented without a

political struggle. Now the group of 77 became the major instrument for the economic struggle within the UN system and the various international forums. In this effort the non-aligned received the cooperation of all the development-oriented UN bodies, such as the UNCTAD and UNIDO. These organizations even helped in the formation of the strategy of economic and technological cooperation among the developing countries.

The Group of 77, at a ministerial meeting in Algiers in 1967, had worked out a platform for negotiations with the advanced capitalist countries. The Algiers Summit of non-aligned provided the basis for joint action with the Group of 77. This was the acceptance by both of the single programme of international cooperation as expressed in the Economic Declaration of the Algiers Summit and the Action Programme for Economic Cooperation for realising the NIEO. From now on, the dynamic functioning of the Group of 77 influenced considerably the economic content of the non-aligned movement and in turn was influenced by it.

The period between the adoption of the NIEO Declaration and the Colombo Summit was one of hectic activity. On the basis of the proposals of the Algiers

summit, a conference of Foreign Minister of non-aligned states, met on raw materials, which was held at Dakar. Also as a follow up to Algiers, the Foreign Ministers met at Lima in 1975. Then came the Manila Declaration of the Group of 77. These were major steps in the evaluation of a programme and strategy for economic cooperation among the developing countries. The Lima Programme on Mutual Assistance and Solidarity recognised the present concept of aid as an instrument for "reinforcing the structure of international domination". This realisation, together with the growing emphasis on self-reliance, seems to be the beginning of a growing awareness, however cautiously expressed, of the need for a certain amount of structural delinking from the world imperialist system.<sup>98</sup>

The Lima Programme related the unity and solidarity of the non-aligned countries to the establishment of a NIEO. The Economic strategy that it worked out was based on this understanding, strengthened by the awareness of the "manoeuvres by imperialist forces designed to divide these (developing) countries and to control or distort the demands of the developing countries to restructure

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98. Subrata Banerjee, n. 54, P. 157-158.

the world economy.<sup>99</sup> It discussed in detail and in practical terms the total universe of collective self reliance :

- Strengthening associations of raw materials producing developing countries, better systems of market information and setting up a Fund for Financing Buffer Stocks.
- Establishment of a Solidarity Fund for Economic and Social Development of the Non-Aligned Countries (for which a draft convention was adopted).
- Establishment of an Information Centre on TNCS.
- Scientific and Technological Research and Development.
- Research and Information system.
- Cooperation among Central Banks.
- Monetary Reform.
- International Centre for Public Enterprises (already established in Yugoslavia).
- Mutual Trade.
- Regional and Inter-regional Financial Arrangements.
- Technology Transfer Centre and Consultancy Organizations.

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99. Cited in Ibid., P. 158.



- Cooperation in agricultural production, industrialisation, health services, training, peaceful application of nuclear energy.
- Establishment of an International Trade Organization.
- Establishment of an Assistance Fund for Food production.<sup>100</sup>

The Lima Programme established the foundations of the development of collective self-reliance.

At the Colombo Summit Conference, the Heads of State or Government of non-aligned countries were deeply perturbed by the glaring inequalities and imbalances in the international economic structure and the ever-widening gap between the developed and the developing countries. They noted that, "despite the growing acceptance of the principles of the New International Economic order, there has been minimal progress towards their implementation."<sup>101</sup> In view of the apathy of the developed countries to the idea of a new world economic order, they concluded that

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100. Ibid.

101. Two Decades of Non-alignment n.55, P. 206.

"only a confident spirit of collective self-reliance on the part of the developing countries can guarantee the emergence of the New International Economic Order."<sup>102</sup> For them, self-reliance implied a firm determination on the part of the developing nations to secure their legitimate economic rights in international dealings through the use of their collective bargaining strength; it also involved preparedness on their part to accept the discipline required of them by the process of economic development with justice; above all, it meant willingness on their part to explore the immense possibilities of co-operation among themselves in financial, technical, trade, industrial and other fields.<sup>103</sup>

Accordingly, they not only endorsed the conclusions of the Lima Conference of Ministers of Foreign Affairs of the non-aligned countries, but also adopted a resolution on the establishment of a bank of developing countries, and another on a new international monetary order, to provide for a countervailing currency backed by the economic potential of the developing countries.<sup>104</sup>

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102. Ibid., P. 211.

103. Ibid.

104. Ibid., PP. 212-220.

The Sixth Summit Conference held in Havana (1979) reviewed the world economic situation and noted with grave concern that, since the Fifth Summit Conference, the economic problems facing the developing countries had become more acute, that the gap separating the developed and the developing countries continued to widen, and that there had come about a stalemate in the negotiations to restructure the international economic relations. The Heads of State or Government reaffirmed their deep conviction that

a lasting solution to the problems of the developing countries can only be achieved by a consistent and fundamental restructuring of international economic relations through the establishment of the New International Economic Order. However, five years after the adoption of resolution 3201(S-VI) and 3202(S-VI) of the United Nations General Assembly, and of the Charter of Economic Rights and Duties of States, the economic situation faced by the developing countries continues its pervasive deterioration, aggravated and accelerated by the effects of the world economic crisis.<sup>105</sup>

The achievement of the very legitimate goal of a new world economic order was being thwarted by the developed countries. But the non-aligned countries had no option

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105. Ibid., P. 438.

but to strengthen economic co-operation among themselves and to go on putting pressure on the developed countries to concede some ground.

And so, the Heads of state or Government, adopted a resolution on policy guidance for the reinforcement of these efforts. They also endorsed a report prepared by Guyana and on its basis adopted a resolution on cooperation in the field of pharmaceuticals, to ensure rationalisation of production and distribution, in the context of the drug requirements of the developing countries.<sup>106</sup>

The Seventh Summit Conference held in New Delhi (1983) stressed that it was time for the developed countries "to demonstrate their political will by looking at the world's economic ills in their totality.... In a world of finite resources, the vast expenditures on the development and manufacture of weapons stand in stark contrast to the poverty, deprivation and squalor in which two-thirds of the world's population live."<sup>107</sup> It also pointed out that the economic and social consequences of the arms race militated against the bringing about of the New International Economic order. In its opinion,

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106. For details see Ibid., PP. 469-470.

107. New Delhi Summit Documents, n. 10, P. 6.

durable peace could be assured only through "a restructuring of the world economy with a view to establishing the New International Economic Order and bridging the economic gap between developing and developed countries".<sup>108</sup>

The New Delhi Summit also reviewed in great detail the implementation of the Action Programme. It would seem that the outlines of the structure of one dimension of the New International Economic Order has begun to evolve.

This is of particular importance as the relations with the advanced capitalist countries had failed to make any progress at all. The Coordinating Bureau of the Non-Aligned Movement at its meeting in Colombo in June 1979, considering the continued deterioration of the world economy and its disastrous effects on the developing countries and the lack of progress in the implementation of the NIEO Declaration, called for global negotiations within the United Nations. The Havana Summit endorsed this call and maintained that global negotiations on international cooperation should be of a sustained character, "being action oriented, allowing for an integrated approach to the main issues involved, proceeding

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108. Ibid.

simultaneously on different planes and being open to universal participation."<sup>109</sup> The resolution on the subject adopted at the Havana Summit outlined the basis for such negotiations :

take place within the United Nations system with the full participation of all states and within a specified timeframe; include major issues in the field of raw materials, energy, trade, development, money and finance; and make a significant contribution to the implementation of the international Development strategy for the Third United Nations Development Decade.<sup>110</sup>

Despite the stiff resistance from the advanced countries, the 34th UN General Assembly adopted a resolution calling for global negotiations on the issues outlined at Havana. After four years of fruitless efforts the New Delhi Summit recorded with deep regret the failure of global negotiations to get off the ground. After six Sessions of the Committee of the Whole in 1980 agreement could not be reached even on the agenda, procedure and the time frame. There was no progress even on the agreements reached on the establishment of a Common Fund and on the implementation of the Programme of Action on New and Renewable

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109. Two Decades of Non-alignment, n. 55, PP. 470-471.

110. Ibid., PP. 470-471.

Sources of Energy adopted by the UN Conference in July 1981.<sup>111</sup> The Group of 77 and the non-aligned made concession after concession, without any response.<sup>112</sup> The New Delhi Summit proposed convening a conference within the UN to launch global negotiations in 1984 by taking up only "those issues on the formulation and allocation of which agreement would have been reached."<sup>113</sup> It also proposed a two tier approach by calling for an international conference on monetary and finance matters first, separately, but considered as part of global negotiations, whenever they might be held.<sup>114</sup> Even to this there has been no response.

Matters have reached such a stage that Indira Gandhi, in her keynote address at the New Delhi Summit, had to call for immediate action to relieve the distress of the developing countries critically affected by the economic crisis imposed on them by the advanced capitalist countries. She said :

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111. For details see New Delhi Summit Documents, n. 10, PP. 90-92.

112. Ibid., PP. 94-96.

113. Ibid., P. 96.

114. Ibid., P. 102.

Some countries are more critically affected than others. Some are in desperate straits. They cannot wait for action by the world community as a whole. Our movement has an obligation to them and this is not beyond the human resources, technological skills, industrial capacities, even the finances that we now possess. Self-reliance should start with the weakest amongst us, and assistance be aimed at self development.<sup>115</sup>

The Group of 77 too noted with deep regret that all efforts and initiatives, not only of the Group but even of the Presidents of the UN General Assembly, for holding global negotiations had failed. The Group has clearly indicated that this is due to the refusal of the advanced capitalist countries and particularly the US to acknowledge the economic and political imperative of global negotiations. Mr. Farooq Sobhan of Bangladesh, Chairman of the Group of 77, in his report to the New Delhi Summit, stated :

While there has been a hint of awareness on the part of the industrialized countries that has so far been the most intransigent and intractable on the need for a global approach, there is still a propensity to seek unilateral solutions without giving proper consi-

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115. Ibid., P. 191.



deration to the views of the developing countries.

We cannot but be concerned at the growing tendency of some of these countries to erode the spirit of multilateral cooperation and to weaken the United Nations system.<sup>116</sup>

Thus, the non-aligned countries and other developing countries have been increasingly voicing their resentment against the prevailing world economic order, as well as their determination to replace it with a more just one.

However, despite the efforts of non-aligned countries, the existing economic order continued to be of great disadvantage to the developing countries. The Foreign Ministers of non-aligned countries, who met at Luanda in September 1985, reviewed the world economic situation and found that the "increasing structural imbalances and inequalities of the international economic system had resulted in adverse consequences for the world economy and, in particular, for the developing countries. The period since the Seventh Summit has also

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116. As Cited in Subrata Banerjee, n. 54, PP. 160-161.

witnessed a sharp deterioration in the level of international economic co-operation."<sup>117</sup> The Ministers reiterated the importance of the Declaration and Programme of Action on the Establishment of a New International Economic Order, the implementation of which promised a more just and equitable international economic system and sustained growth of the global economy, particularly those of the developing countries. They concluded that "in the present unfavourable world economic situation and in view of its adverse impact particularly on the developing countries, the revival of negotiations between the developed and developing countries within the framework of the United Nations and other international institutions is urgent and indispensable."<sup>118</sup>

Later, in its Economic Declaration, the Harare Summit Conference recalled the many important initiatives taken by the non-aligned movement over the last quarter of a century for the restructuring of the world economic order on the basis of national sovereignty, equality, justice, equity, mutual interest and benefit. But it noted

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117. Documents of the Conference of Ministers. For Foreign Affairs of Non-aligned countries, Luanda, 2-7 September 1986, Luanda, Ministry of External Affairs, Government of Angola, 1986, P. 96.

118. *Ibid.*, P. 103.

with regret the lack of progress in the implementation of the constructive, practical and well-balanced proposals put forward by the Seventh Summit Conference for the re-launching of a genuine, effective and positive dialogue. It concluded that "the present erosion of multilateralism and the growing resort to bilateralism" by some developed countries for political ends to the detriment of the interests of developing countries, as well as the stalemate in negotiations between the developed and the developing countries, reflected

a lack of political will on the part of some developed countries to tackle the pressing and deeprooted problems of the world economy as a whole and of all its constituent parts.... A sustained and lasting growth of the international economy demands the urgent stimulation of the development process in the developing countries as well as an integrated approach to the increasingly interdependent issues of money, finance, debt, trade and development.<sup>119</sup>

In his keynote address, the Prime Minister of Zimbabwe, R.G. Mugabe, reflected the views of the member-delegates when he said that the "current state of the world economy,

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119. Eight NAM Summit : Selected Documents, Comp. and ed. K. Ramamurthy and Govind Narain Srivastava, New Delhi, Indian Institute for Non-aligned Studies, 1986, P. 164. Hereafter referred to as Eight NAM Summit Selected Documents.

especially as it related to prospects for development in non-aligned and other developing countries is a cause for grave concern to us."<sup>120</sup> He was of the firm opinion that the revival of growth in the world economy

demands that dialogue between the developed and developing countries be resumed without further delay. The current stalemate in global negotiations does not augur well for the future.... It is only through the promotion of cooperative relations, not only among the developing countries, but also between the North and South that we can arrest and reverse the present retreat from multilateralism to unilateralism and bilateralism. In the world of today, interdependence is a fact of life, and hence the promotion of international cooperation and multilateralism should be the concern of every nation.<sup>121</sup>

Notwithstanding the fact that the goal of a new world economic order was still remote, the delegates continued to make efforts to realise it. For them, it was heartening that the non-aligned movement had widened its area of concern so as to include the demand for a new world economic order, and that it has accepted cooperation

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120. The Keynote Address by the Honourable Prime Minister of Zimbabwe, Comrade R.G.Mugabe on the occasion of the Inaugural Ceremony of the Eight Conference of Heads of state or Government of Non-aligned countries, Harare, August-September 1986, Harare : International Conference Centre 1 September 1986,P.7.

121. Ibid., PP. 10-11.

among the non-aligned countries as the necessary step towards a more just order. At the Eight Summit Conference, Iraq's First Deputy Prime Minister, Taha Yaseen Ramadan, drew the attention of delegates to the movement's manifestoes and said :

The movements manifesto, which was limited in the beginning to such issues as peace, non-alignment and the fight against imperialism, racial discrimination and backwardness, has become a comprehensive one now. The movement is interested now in all matters and issues in the world with a view to achieving its most sublime objective of establishing a new economic order.<sup>122</sup>

In the absence of a more effective strategy to usher in a new world economic order, the conference asked its members to remain United and reaffirm the important role the Group of 77 played in the dialogue and negotiations with the developed countries on the issue of development. It urged the non-aligned and other developing countries to maintain their unity and solidarity in the face of adverse circumstances and work collectively for solutions

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122. The Address by H.E. Mr. Taha Yaseen Ramdan, First Deputy Prime Minister of Iraq, at the Solemn Ceremony in Commemoration of the Twenty-Fifth Anniversary of the Founding of the Movement of Non-aligned Countries, Harare: International Conference Centre, 1 September 1986, pp. 3-4.

to common problems.<sup>123</sup>

It goes without saying, that, despite the efforts of non-aligned countries, very little has been achieved in the past years with regard to the establishment of a new international economic order. Meanwhile, international economic relations have become even more disadvantageous to the developing countries than before and these countries are most adversely affected by the negative trends in all the important fields of international economic relations. This has further widened the economic gap between the developed and the developing countries; the income of inhabitants of the developed parts of the world has — in spite of the slow growth rate — increased considerably, whereas almost one-quarter of mankind has fallen into the category of income below the minimum needed for subsistence and another 37 percent stagnates in the category of the underdeveloped.<sup>124</sup>

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123. Eighth NAM Summit : Selected Documents, n. 119, p. 178.

124. Milos Minic, "Non-Alignment and the New International Economic Order (1) : Development and Trade" Review of International Affairs, Vol. XXXIII, 20 November 1982, pp. 7-8.

### C H A P T E R - III

#### THE SUPERPOWERS AND THE NEW INTERNATIONAL ECONOMIC ORDER

It would be instructive to commence on our study of the superpowers responses to the demand for restructuring the existing international economic order by discussing the frameworks which underlines their responses.

The Americans believe firmly in the status quoist framework of international economic order. This framework explains the viewpoints of the West particularly the US and it favours the assumptions underlying the Brettonwoods system. These are free market principle, minimum barriers to the flow of private trade and capital and international division of labour based on comparative cost principle. The Americans do not see anything wrong with the present economic order.<sup>1</sup> They rather express optimism about the prospects of southern development within the existing international market structure. The major problems of development, in their view, are the weaknesses in the factors of production like deficiency of capital and low productivity of labour. Trade, foreign investment and external

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1. See Ragnar Nurkse, Equilibrium and Growth in the World Economy, Cambridge, 1961. G.M. Meier, International Trade and Development, New York, 1963.

aid are seen as crucial factors in overcoming the weakness. They also argue that the problems faced by the developing countries are the creation of their inadequate national efforts, inappropriate domestic policies and energy crisis. Another argument they advanced is that economic order needs no restructuring. It can, however, be reformed and repaired to remove the genuine difficulties faced by the developing countries. This framework suggests that the division of the world into rich and poor, developed and underdeveloped is artificial and that of the East and West is real.<sup>2</sup> For the West (particularly the US), the major problems of international relations are the security issues in an era of superpowers rivalry and global economic issues are of secondary importance. Their strategy is to postpone negotiations<sup>3</sup> on economic issues, and if started, to apply delaying tactics.<sup>4</sup>

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2. See the Report "Towards a Renovated International System," Trilateral Commission (A private North-American, European, Japanese Initiative on Matters of Common Concern), 1977.
  3. L.N. Rangarajan, "Commodity Conflict Revisited from Nairobi to Belgrade," Third World Quarterly, Vol.5, No.3, July 1983.
  4. S.D. Muni, "The Paris Dialogue on International Economic Cooperation: The North's Strategy and the outcome", Foreign Affairs Report, October 1977.



On the other hand, the Marxist framework, which guides the USSR'S and its allies response to the demand for a NIEO, denounces outrightly the capitalist nature of the present world economic order. The Marxists argue that equitable distribution of the benefits of trade and foreign investment are not possible within the international capitalist system. Trade between the North and the South has led to the problem of unequal exchange manifested by the declining price of raw material produced by the developing countries and the rising price of industrial products manufactured by the developed World. As regards foreign investment, the Marxists argue that it has created adverse effects on employment income distribution, domestic capital, local entrepreneurs and consumption patterns. The system of international financial institutions has led to the perpetuation of underdevelopment of the Third World and extracted their wealth through debt service.

The Marxist framework thus depicts the exploitative character of international trade, foreign investment and foreign aid which are the major components of the existing world economic order. The Marxist also hold the view that capitalist world order is immutable as developed nations would not agree to the demand for its restructuring.<sup>5</sup>

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5. Lev Komlev, The New International Economic Order, New Delhi, Sterling publishers Pvt. Ltd., 1981.

Revolution, therefore is considered the only way to demolish the international capitalist system and its replacement with an international socialist system.

It is in this context that the superpowers responses to the demand for a NIEO could be better understood.

International discussions of various facets of what is now called the new international economic order began with the first UN conference on Trade and Development in 1964 and were continued in many subsequent fora but the concept was first presented coherently and forcefully in the Sixth Special Session of the UN General Assembly held in April 1974.

The OPEC challenge that emerged in October 1973 provided the Psychopolitical<sup>6</sup> Stimuli for convening the UN Sixth Special Session for the formal endorsement of the New International Economic Order.

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6. For details see Kuniko Y. Inoguchi, "Third World Responses to OPEC : The External Dimension," in Harold K. Jacobson and Dusan Sidjanski, eds., The Emerging New International Economic Order : Dynamic processes, Constraints and opportunity, London, Sage publication, 1982, pp. 171-172.

Initially, the developed countries of the Western bloc especially the US had thought of taking recourse to the policy of retaliation through military force and using food as a political weapon<sup>7</sup> against OPEC for creating oil embargo. But realising that there was no unanimity among the oil consumers of the West (notably France)<sup>8</sup>, the US had to give up the policy of confrontation as is clear from the statement of Henry Kissinger then Secretary of State :

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7. See Tony Smith, "Changing Configurations of Power in North-South Relations Since 1945," International Organization, Vol. 31, No 1, Winter 1977, P.6.
  8. France rejected President Nixon's initiative in 1974 for a United bloc of energy consuming countries for more than one reason. France was still receiving a large proportion of her petroleum imports from Algeria at that time and the Algerian delegation was chosen to represent the view of the "Group of 77" at the Sixth Special Session. Moreover, the Gaullist vision of French destiny inherited, by the Pompidou regime and continued in modified form under Giscard d'Estaing indicated a notion of a France independent of superpowers and a third force for peace and justice in the international system. See Jeffrey A. Hart, "Interpreting OECD policies towards the New International Economic Order," in Charles W. Kegley, Jr. and Pat McGowan, eds., The Political Economy of Foreign Policy Behaviour California, Sage Publications, 1981, PP. 228-229.

We can resist confrontation... if other nations choose that path. And we can ignore unrealistic proposals and peremptory demands.<sup>9</sup>

The US leaders, therefore, had no option but to resolve the problem of energy crisis as they realised their dependence on this strategic raw material.<sup>10</sup> But

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9. As Cited in Serfaty, "Conciliation and Confrontation: A Strategy for North-South Negotiations", Obis, Vol.2, Spring 1978, P. 50. Emma Rothschild writes that the Arab OPEC States participating in oil embargo could well afford to buy the food they needed from other suppliers and that much of the grain they imported was in any case transhipped through Third World countries. See For details, Emma Rothschild, "Food Politics", Foreign Affairs, Vol. 54, No.2, January 1976, PP. 300-302. For more details about the efforts of West Europe's accommodation towards oil-exporting countries, See Michael Hundson, Global Fracture: The New International Economic Order, New York, Harper and Row publishers, 1977, PP. 78-84.
10. See Fred Hirsch, "Is there a New International Economic Order", International Organization, Vol.30, Nos. 3-4, Summer 1974, PP. 524-525. The representative of Gabon correctly revealed the attitude of the US when he said: "we have coffee, we have groundnuts, we have wood. However, we are not talking about food, wood or coffee because the highly industrialised countries have them too, but they do not have petroleum." See for details, A/PV 2210, (S-VI), 11 April 1974, P.3.

the developing countries though they had been severely hit "Victims" of the higher oil price,<sup>11</sup> wanted the UN General Assembly to consider the development problems along with the energy crisis. They believed that the OPEC challenge was a source of hope and endeavour for an alternative North-South economic order in which problem will not be solved by strength. From the Third World's point of view, OPEC action to restore sovereignty, was the most striking and successful example of escape from the exploitative foreign control of one's national economy. That is why non-oil exporting developing countries publicly confirmed support for the OPEC action and reoriented their foreign policy behaviour to escape from North's dominated economic order. The developing countries' leadership thought that energy crisis had given them a political clout to improve their voice option for pursuing the goals of the NIEO that they had set for themselves at Algiers.

The tone and attitude of the developing countries at the Sixth Special Session were stridently militant. This led to a series of confrontations, during and after

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11. The Oil Crisis added about 10 billion dollars to non-oil exporting developing countries' 1974 oil import bill of \$ 7, billion. The oil induced decline in aggregate demand and the aggravated inflationary process in industrialised countries had pernicious consequences for their economies. For details see Kuniko Y. Inoguchi, n. 6, PP.171-172.

the session, between the developing countries and the Western industrialized countries, particularly the US. Militancy continued to be the norm in the public pronouncements made by the representatives of the developing countries after the Sixth Special Session. At the same time, they began exploring serious possibilities for negotiations with the industrialized countries. To this end, they joined with the industrialized countries and the socialist states in a unanimous resolution at the 29th General Assembly, on final instruction(Charter of Economic Rights and Duties ) for preparing the Special Session on development and international Cooperation.<sup>12</sup>

Working under the presidency of the energetic Algerian foreign minister, Abdelaziz Bouteflika, and at the urging of the developing countries, the 29th session of the General Assembly also adopted the Charter of Economic Rights and Duties of States.<sup>13</sup> The Charter sought to establish "generally accepted norms to govern

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12. Jyoti Shanker Singh, A New International Economic Order: Toward a Fair Redistribution of the World's Resources, New Delhi, Praeger 1977, PP. 12-13.

13. See Resolution 3081 (XXIX), dated 12th December, 1974.

international economic relations systematically" and to promote a New International Economic Order. Originally proposed by the President of Mexico, the charter was drafted over a 17 month period by a working group of 40 UN members under UNCTAD auspices.

In other forums, tough rhetoric continued to be exuded. At the United Nations Industrial Development Organisation (UNIDO) Conference in Lima in March 1974, the Group of 77 pushed through strong statements on issues such as nationalization, export prices for products of developing countries, and commodity producer cartels. Similar sentiments were expressed at the Dakar Conference of 110 developing nations (4-8 February 1975) and the Algiers conference of OPEC countries (4-6 March 1975).

The Arab-Israeli dispute continued to interact with the economic issues. The Arabs were interested in using international forums for criticizing Israel and for adoption of public positions against Israel. At the Organization of African Unity (OAU) conference in Kampala and the Non-Aligned Conference in Lima, a strategy by the militant Arabs to seek support for exclusion of Israel was, however modified, partially at the insistence of moderate Arab and African States, because of the fear

that further steps in this direction would make it impossible for the US to engage in negotiations on the economic issues.

At the Sixth Special Session, the US did not have a well-defined position on the issues raised.<sup>14</sup> Its representatives defended the present economic order and refused to deal with any proposals for radical change. One of the reasons was that adoption of the Declaration and Programme of Action by the Sixth Special Session came at a time when major political changes were taking place in the US, and the US was simply not ready to formulate new initiatives. After the dust had settled in the US on the changeover of administration, the State Department began to work on the US response to the developing countries. US embassies were asked to make it clear to government leaders in the developing countries that exclusion of Israel from the UN would make it impossible for the US to provide

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14. The issues raised at the Sixth Special Session includes, raw materials and commodities, the international Monetary system and Financing of economic Industrialisation, Transfer of technology, Transnational Corporations, promotion of Cooperation among developing countries and Permanent sovereignty of states over natural resources etc. For a useful discussion See, Santosh Taneja, India and the New International Economic Order, Amritsar, Guru Nanak Dev University Press, 1988, pp. 63-72.



any concessions on the economic issues. "Give 'em hell" was the public stance assigned to the new US ambassador Daniel P. Moynihan. This had some effect as seen in the results of the Organisation of African Unity (OAU) and the non-aligned meetings.

At another level, then Secretary of State Henry Kissinger conceded that there were serious issues of a political nature which were entwined with the current economic issues in an inseparable manner. He first made this point at a speech in Kansas city in May 1975. The same month, he told the Ministerial Meeting of OECD in Paris ;

These issues go far beyond economic considerations. Economic stagnation breeds political instability. For the nations of the industrialized world, the economic crisis has posed a threat to much more than our national income. It has threatened the stability of our institutions and the fabric of our cooperation on the range of political and security problems. Government can not act with assurance while their economies stagnate and they confront increasing domestic and international pressures over the distribution of economic benefit. In such conditions the ability to act with purpose—to address either our national or international problems—will falter.<sup>15</sup>

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15. As Cited in Jyoti Shanker Singh, n.12, P. 14.

The Kissinger speech at the OECD ministerial meeting in Paris in May was followed in the US by serious negotiations between the State and Treasury Departments on what the US response ought to be to the proposals from the group of 77. It was clear that without the support of the Treasury, Kissinger would not be able to announce an effective US position at the forthcoming Seventh Special Session of the General Assembly; and Kissinger and his aides were anxious to promote a break-through at this Special Session, with the US coming forward with several specific ideas and suggestions. Kissinger worked hard at getting the support of Treasury Secretary William Simon; this was not easy, as Treasury with its traditional belief in free market economics and liberal international trade has been opposed to such special concessions to developing countries as preferential trade agreements or price stabilization. Kissinger's speech at the Seventh Special session, which apparently went through eight drafts, included a reference to Treasury Secretary Simon, indicating that the Treasury Supported Kissinger proposals. This helped in greatly increasing the credibility of the Kissinger proposals.

Attempts were also made by US officials, as well as many US business and private groups, to draw attention

to the plight of the non-oil producing countries and the widening economic disparities among the developing countries themselves. This however, did not succeed in dividing the group of 77; if anything, it helped to consolidate the solidarity of the Third World. The failure of US efforts in this area was vividly demonstrated at a meeting in Paris in April 1975. The President of France, Valery Giscard d'Estaing had proposed a conference of selected industrialized and developing countries, to negotiate on energy problems and related issues; and a meeting to prepare for this conference was convened in Paris in April 1975. This meeting was, however, unable to reach a consensus as OPEC countries, supported by other developing countries, refused to attend the proposed talks unless the energy problems were linked with raw materials and other development issues. The US's efforts to restrict the proposed talks to energy problems were thus unsuccessful, and the scope of these talks was subsequently enlarged to include raw materials, as well as finance and development.

It should be mentioned here that when the Declaration and Programme of Action on the Establishment of a New International Economic Order was adopted by the 1974 General Assembly, strong reservations were

expressed by the US, Japan and several members of the European Economic Community (EEC). US Ambassador John Scali said it was "a significant political documents, but it does not represent unanimity of opinion in this Assembly. To label some of these highly controversial conclusions as agreed is not only idle, it is self-deceiving"<sup>16</sup>.

Some of the other industrialized countries did not show the same kind of resistance to the declaration and the proposed Programme of Action. Sweden, for instance, indicated that it regarded the programme as an important general guideline, and its Ambassador Olaf Rydbeck declared, "for our part, we will from now on, in cooperation with all States Members of the United Nations, do our best to respond to it"<sup>17</sup>. The representative of Finland said that some of the measures could pose problems for his country, but his government accepted and lent its full support to the documents adopted. In general, the Nordic countries showed a more outward-looking approach on the measures proposed by the developing countries, in comparison with the approach adopted by the US, the UK, the FRG and Japan.

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16. Cited in Ibid., p. 9.

17. Cited in Ibid., p. 10.

The US representative, however, assured his country's cooperation to tide over the current crisis when he said :

The US remained committed to seeking solution on a cooperative basis to the difficulties which faced the international community and was ready to do its share to provide emergency relief to tide over the present crisis.<sup>18</sup>

The assurance of cooperation from the US representative indicated the general trend of developed countries' desire to resolve the oil crisis in a spirit of goodwill<sup>19</sup>.

The position taken by the European socialist states provides an interesting variation. The involvement of these countries in international trade has increased in the last few years. However, the huge economic crisis caused by oil price hike, inflation, and recession has not involved these countries as deeply as the

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18. A/PV. 2214 (S-V1), 15 April 1974, pp. 22-23.

19. This may also be due to the fear of the industrialized countries that the developing countries' threat might shrink their balance of power. See for details Kuniko Y. Inoguchi, n.6, p.171. Also see C.F. Bergsten, "Threat is Real", Foreign Policy, no. 14, Spring, 1974, pp. 86-90. The Gabon representative also remarked "... it is not merely a matter of trembling in their boots because they do not have any petroleum, but let them be aware of the fact that aside from petroleum there is something else involved". See A/PV. 2210 (S-V1), 11 April 1974, p. 3.

market-economy countries and the developing countries.

Also, the amount of trade between the socialist states and developing countries is not very large. Of the total exports of the developing countries, 75 percent is absorbed by the Organization for Economic Cooperation and Development (OECD) countries, 20 per cent is exchanged among the developing countries themselves, and 5 per cent goes to socialist countries. This pattern is unlikely to change very much in the near future.

In the Sixth Special Session, the socialist states stressed the difference in the nature of economic relations between developing countries and the capitalist states on the one hand and the relations between developing countries and socialist states on the other. In their view, the capitalist states, given their past relationship with the developing countries, have a historical responsibility they can not avoid. The Soviet Union and other socialist states did not express any reservations. They were unanimous in voicing their criticism of the capitalist countries for creating problems for the Third World. They were willing to give moral support to new emergent states in their struggle for freedom from the "imperialist diktat". Andrei Gromyko, the

representative of the USSR, reiterated this view when he said :

We shall never accept, either in theory or in practice, the fallacious concept of the division of the world into "poor" and "rich" countries... a concept which puts the socialist states on the same footing as certain other states which extracted so much wealth from the countries which were under the colonial yoke. The authors of the concept are not only concealing the basic difference between socialism and imperialism, but at the same time are completely disregarding the question of how and at whose expense the high level of dependence was achieved.<sup>20</sup>

Similar views were expressed by the German Democratic Republic, Hungary, Bulgaria and Romania. so from the socialist countries' point of view the NIEO became a question of historical restitution.

The socialist countries would like to see a link between disarmament and development, a pious but somewhat unrealistic hope. Stefan Olskowski, foreign minister of Poland, addressing the Sixth Special Session saw "the solution of the problems of international cooperation and of the problems of

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20. Ibid., p. 7.

the developing countries in close inter-relation with the efforts of the United Nations towards detente, disarmament and international security".<sup>21</sup> Along the same line, Soviet Foreign Minister Gromyko told the General Assembly :

Of late, the economic upheavals which many states have been going through have increased in intensity, and they are increasingly affecting the people's material situation. Statesmen and economists are racking their brains over the causes behind all this. But the conclusion that is borne out every day and every hour is beyond question : the aggravation of economic problems is largely connected with the rising scale of the arms race and with soaring military expenditure.<sup>22</sup>

The Soviet proposal is that the expenditure on armament by the five permanent members of the Security Council (the US, the USSR, the UK, France, and China) be reduced initially by 10 per cent, and part of the savings thus effected be devoted to development needs of poor countries. This has been discussed in several organs of the UN and at several disarmament meetings, but nothing yet has come of it.

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21. Cited in Jyoti Shanker Singh, n.12, p. 11.

22. Cited in Ibid.



The role played by the socialist countries led by the USSR in the debate on a New International Economic Order has thus been somewhat passive, as they feel they do not have the same kind of moral and economic responsibility toward the developing countries as the Western industrialized countries led by the US. The socialist countries are also not members of OECD, the World Bank, or IMF, and have thus not been involved in the negotiations within these organizations on trade, aid, and development issues.

Despite the fact that reservations were expressed by the developed countries and there were shortcomings in the resolution, the Sixth Special Session could be called a Magna Carta for the countries of the Third World. It was the First Special Session of the General Assembly which was not related to peace-keeping operations and related matters. Usher of Ivory Coast pointed out that for the first time priority had been given to the most vital character of a majority of the most disadvantaged of the world's people.<sup>23</sup> The Sixth Special Session served as the pace setter for the Third World's

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23. See UN Doc. A/PV, 2212 (S-v1), 12 April 1974, p. 8. For similar views see North-South : A Programme For Survival - The Report of the Independent Commission on International Development Issues under the chairmanship of Willy Brandt, London, 1980, p.11.

endeavour to search an alternative economic order. Rhetoric and cliché had completed their roles and the need was to enhance their legitimization and encourage the implementation of the provisions enunciated at the Sixth Special Session.<sup>24</sup>

Though the attitudes and positions represented at the Sixth Special Session differed a great deal, one common thread that does run through all the presentations is the emphasis on interdependence. This is a recurring theme now in all international meetings and conferences dealing with economic questions. Interdependence is now defined not only as a strategy for prosperity, but also as a necessity for survival.

The concept of interdependence is in itself not new. Developing countries need the industrialized countries to purchase their raw materials and commodities, to sell them manufactured goods and products, and to provide them with development aid and assistance. The industrialized countries need, in turn, the raw materials and commodities from the developing countries to meet their economic and consumption needs. This relationship

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24. For details see Kuniko Y. Inoguchi, n.6, pp. 181-182.

was, however, seen by the developing countries as being one-sided, in that decisions on prices and market conditions were almost always dictated by the needs and requirements of the industrialized countries.

What has changed now is the perception of the balance of power within the framework of interdependence. The dependency of developing countries on the industrialized countries has not decreased. But the industrialized countries have become much more conscious of their dependence on the developing countries for essential raw material supplies. European countries and Japan are, more than ever before, dependent on raw material inputs to maintain their economic well-being. Theoretically, the US, if it tightened its belt, could survive without imports. But it has, so far, not demonstrated any serious intention to do this. Interdependence is thus becoming a two-way street. Whatever the rhetoric, both the industrialized and the developing countries seem to recognise this as a fact of life.

Confrontation has sometimes been advocated by individual countries or groups of countries as a way of ensuring their supplies. If the developed countries

were to engage in a confrontation, they would end up paying higher prices for essential raw material supplies; exports of their manufactured products would decline; and their standard of living would go down. If the developing countries were to promote confrontation, the consequences may include defensive commodity stockpiling or development of substitute products by industrialized countries, greater support for protectionist policies in the industrialized world, a decline in bilateral and multilateral assistance, and a less significant role for international institutions and forums. None of these consequences is pleasant to contemplate nor very practical. Negotiations thus provide the only alternative to confrontation, and this became increasingly clear in the period following the Sixth Special Session.<sup>25</sup>

For identifying the specific issues for negotiations between the North and the South, as the resolution 3201 (S-VI) adopted at the Sixth Special Session was a package of many principles in one document,<sup>26</sup> the

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25. Jyoti Shankar Singh, n.12, pp. 11-12.

26. See Appendix -I On Declaration adopted by Sixth Special Session of the UN General Assembly, 1 May 1974.

Seventh Special Session was called during the first half of September 1975.

The Seventh Special Session of the United Nations General Assembly which began on Monday 1 September 1975 was set to end on September 12, 1975, but had to be extended until 16 September 1975. Its results were incorporated in a final resolution entitled "Development and International Economic Cooperation".

The work of the Special Session was planned by an intergovernmental preparatory committee, which had met three times before the session. The general outline of the resolution adopted by the Seventh Special Session is based on the framework proposed by the preparatory committee, which in turn was based on the agenda proposed by the Economic and Social Council meeting in Geneva in July.

The preparatory committee made a major recommendation on the structure of the assembly itself, which in a sense profoundly affected the result of the session.<sup>27</sup> The committee recommended that while the general debate on the theme of the Special Session would take place in the plenary, detailed consideration of proposals relating to item 7 of provisional agenda — Development and

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27. UN Doc. E/Ac. 62/L.5 and Corr. 1, 28 August 1975.

International Economic Cooperation—should be entrusted to an ad hoc committee. Thus, while representatives of member governments presented formal statements at the plenary, the ad hoc committee meeting in the basement, directly under the assembly floors, grappled with all the difficult and delicate issues requiring negotiations. The ad hoc committee, which was composed of the entire membership of the assembly, was itself authorized to set up working groups as necessary, and did indeed set up two major working groups—one to deal with international trade and transfer of resources and the other to deal with science and technology, industrialization, food and agriculture, and restructuring of the economic and social sectors of the UN. Several informal meetings also took place, sometimes late into the night, to work on delicate problems.

The plenary session opened with address by the foreign minister of Algeria, Abdelaziz Bouteflika, and the then UN Secretary General, Kurt Waldheim. Bouteflika, as the President of the 29th session of the General Assembly, was elected to preside over the Seventh Special Session as well.<sup>28</sup>

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28. The Verbatim reports of the Seventh Special Session are contained in UN Docs. A/PV-2326 - 2349, 1-16 September 1975.

The speech by Bouteflika<sup>29</sup> was a mixture of militant rhetoric and conciliatory words. He categorically asserted "that the prosperity of the West is derived, to a large extent from the draining of the wealth and exploitation of the labour of the peoples of the Third World, and that their economic apparatus, imposing though it may be, rests on fragile and vulnerable foundations".<sup>30</sup> He went on to say that "at a time when the complexity of the world economy stresses the interdependence of states, it is no longer possible for anyone to impose solutions of his choice".<sup>31</sup> The developing countries, he said, had proposed a pattern of cooperation that would allow them to build their economies on the "foundation of their own resources and make international trade the favoured instrument of an equitable distribution of world income".<sup>32</sup> He called upon the developed nations to demonstrate clearly their will for practical and meaningful dialogue in a spirit of cooperation by announcing necessary concessions and yielding to the legitimate aspirations of those to

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29. For the text of Bouteflika's speech, see UN Doc. A/PV. 2326, 1 September 1975, pp. 11-32.

30. *Ibid.*, pp. 13-15.

31. *Ibid.*, p. 16.

32. *Ibid.*

whom history and sometimes nature, have been ungenerous.

Clarifying the position of the developing countries, he said that "it is no part of the intentions of the Third World, regardless of what is said of us, to impose solutions on anyone. To do so would not be consistent with either the realism of the developing countries or the purpose of this organization".<sup>33</sup>

He added that "this session... blaze the trail for this long process of restructuring the world economy by, first, adopting practical measures to solve one series of priority problems and, secondly, establishing the framework and objectives of subsequent negotiations".<sup>34</sup>

Bouteflika also referred to the Declaration and Programme of Action for the Establishment of a New International Economic Order and the Character of the Economic Rights and Duties of states and linked the preparatory meeting of OPEC and the non-aligned countries as well as the UN conference on Food, population, and industrialization to the moves toward the establishment of a new international economic order. The lead he thus gave for a broader discussion of the interrelated issues of

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33. Ibid., pp.18-20.

34. Ibid., p. 21.



development was, however, not picked up by the delegates, who decided to focus on the questions of raw materials, energy, food, finance, and development, leaving out such contemporary and related issues as environment, population, and women.

The then Secretary-General of the UN, Kurt Waldheim, in his address, referred to the preparatory activities that had preceded the Special Session.<sup>35</sup> These included the Foreign Minister's Conference of the Non-Aligned countries in Lima, the Dakar Conference on Raw Materials, the Meeting of Commonwealth Heads in April, the meeting of OECD Ministers in May, the negotiations leading to the Lome Convention, as well as intensive discussions within governments.

The Secretary-General naturally emphasized the hope that the United Nations would play a central role in the continuing negotiations on changes in the international economic order and referred to three functions that he felt the United Nations

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35. For the text of Waldheim's speech, see Ibid., pp. 33-45.

... should perform in the mix of interacting events that are organized within and outside the United Nations System.

First, through this Assembly, the United Nations should provide the blueprint, framework and guidelines for the negotiating process which will ensure both within and outside the United Nations system.

Second, the results of these negotiations should be brought before the General Assembly in order to give such agreements the confirmation which only a universal organization can provide.

Finally, the United Nations is particularly suited to providing continuity by monitoring and following up agreements reached by the international community.<sup>36</sup>

Both Bouteflika and Waldheim emphasized the importance of then forth-coming Paris talks on energy, raw materials, finance, and development, and the Secretary-General underlined the need to define the relationship of the Paris meeting and the subsequent negotiations with the United Nations.

Following the Secretary-General's address, various issues of global concern came up for discussions at the general debate that lasted for ten days and spread over 22 plenary meetings. Despite differences among the

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36. Ibid., pp. 38-40.

members, the general debate followed the particular course and the framework evolved by the Economic and Social Council at its 59th Session.<sup>37</sup> The Council recommended that attention must be focussed on the following six issues of global concern :

- International Trade
- Transfer of technology; to finance development and international monetary reforms
- Science and Technology
- Industrialisation
- Agriculture and Development
- Restructuring of the United Nations system.<sup>38</sup>

Speaking on behalf of the developing countries, the first speaker in the general debate, Antonio F. Azeredo Da Silveira, the Brazilian Minister for external relations, referred to two levels of relationship that existed in the international economic field ;<sup>39</sup>

At one level, that of economic relations among industrialised countries, there exists a relatively effective framework of rules capable of disciplining over-all developments with a view towards that

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37. ECOSOC/Res. 1980 (LIX), 31 July 1975.

38. B.P. Menon, Global Dialogue : The New International Economic Order, New York, Pergamon Press, 1977, p.8.

39. For the text of Azeredo Da Silveira's speech, see UN Doc. A/PV. 2327, 1 September 1975, pp. 2-16.

harmonious development which the majority of these countries are already achieving internally, thanks to the action of their governments. At another level, relations between developed and developing countries take place—and there a virtual laissez-faire prevails.<sup>40</sup>

In his view, the trading and financial systems established in Havana and at Bretton Woods in practice essentially reflect the interest and peculiarities of the advanced economies. "The economic relations between developed and developing countries were never the object of specific rules which would reflect their particular socioeconomic conditions".<sup>41</sup>

Azeredo Da Silveira called for negotiations on a general agreement on trade between developed and developing countries, and concluded on a hopeful note by saying that "for the first time—and this is a positive consequence of the energy crisis—developed and developing countries are in a position to negotiate effectively and to offer equivalent concessions".<sup>42</sup>

Manual Perez Guerrero, Minister of State for international economic affairs of Venezuela, also speaking on behalf of the developing countries, defended, as

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40. Ibid., p. 6.

41. Ibid.

42. Ibid., p. 16.

a member of OPEC, the OPEC decision to quadruple oil prices but also emphasized the need for a dialogue rather than a confrontation.<sup>43</sup> Referring to the proposed Paris talks, he said, "We have not been motivated by a desire for confrontation. Rather, we wish to seek the bases of an understanding that will take into account the interest of all the parties".<sup>44</sup>

M. Jamshed Amouzegar, the Minister of interior of Iran, also defended the OPEC action.<sup>45</sup> He pointed out that "by a curious logic, the fixing of oil prices by the major oil companies in the past was not considered a Cartel action, and yet today the setting of prices by oil-producing nations in the exercise of their sovereign rights is so harshly criticized".<sup>46</sup>

Y.B. Chavan, then foreign minister of India, touched on two main aspects of international cooperation for development and trade in course of his speech on behalf of the developing countries<sup>47</sup> "Not only have the targets for aid set in the International Development Strategy not been reached, but there has been a gradual contraction

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43. For the text of Guerrero's speech, see UN Doc. A/PV. 2328, 2 September 1975, pp. 91-105.

44. Ibid., p. 101.

45. For the text of Amouzegar's speech, see Ibid., pp.2-15

46. Ibid., p. 6.

47. For the text of Chavan's speech, see Ibid., pp.51-67.

in real terms".<sup>48</sup> Referring to aid, Chavan pointed out that "less than 4 per cent of the additional liquidity created in the past two decades has accrued to developing countries which count for 70 per cent of the world's population".<sup>49</sup> As for trade, Chavan pointed out that the prices of most commodities exported by developing countries remain either depressed or unstable. "The import bills of most developing countries have increased to such an extent that even with a 100 per cent increase in export earnings, there is no assurance that the imbalance will be corrected or even met halfway".<sup>50</sup>

On the side of the developed countries, the major statement was made by Ambassador Daniel P. Moynihan, on behalf of then US Secretary of State Kissinger, who was busy with the Middle - East negotiations and could not attend the Special Session.<sup>51</sup> The statement, which—unexpectedly for many—was conciliatory in tone, emphasized that

... there must be consensus, first and foremost, on the principle that our common development goals can be achieved only by cooperation, not by the policies of confrontation. There must be consensus that acknow-

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48. Ibid., pp. 53-55.

49. Ibid.

50. Ibid., p. 56.

51. For the text of Moynihan's speech, see UN Doc. n.39, 1 September 1975, pp. 16-65.

ledges our respective concerns and our mutual responsibilities. The consensus must embrace the broadest possible participation in international decisions. The developing countries must have a role and voice in the international system, especially in decisions that affect them. But those nations who are asked to provide resources and efforts to carry out the decisions must be accorded a commensurate voice.<sup>52</sup>

Moynihan further said :

An effective development strategy should concentrate on five fundamental areas : First we must apply international co-operation to the problem of ensuring basic economic security. The United states proposes steps to safeguard against the economic shocks to which developing countries are particularly vulnerable; sharp declines in their export earnings from the cycle of world supply and demand, food shortages and natural disasters. Second, we must lay the foundations for accelerated growth. The United states proposes steps to improve developing countries' access to capital markets, to focus and adopt new technology to specific development needs, and to reach consensus on the conditions for foreign investment. Third, we must improve the basic opportunities of the developing countries in the world trading system so they can make their way by earnings instead of aid. Fourth, we must improve the conditions of trade and investment in key commodities on which the economies of many

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52. Ibid., p. 22.

developing countries are dependent, and we must set an example in improving the production and availability of food. Fifth, let us address the special needs of the poorest countries which are the most devastated by current economic conditions, sharing the responsibility among old and newly wealthy donors.<sup>53</sup>

The US made a number of proposals in line with its own thinking on a strategy for development :

- Creation of a new development security facility, within the International Monetary Fund, to stabilize overall export earnings. The facility would provide loans to help overcome the impact of export fluctuations up to \$ 2.5 billion and possibly more in a single year, with a potential of \$ 10 billion in outstanding loans. The facility would replace the IMF'S compensatory finance facility; it would not be available for industrial countries.
- Establishment of a consumer-producer forum for every key commodity.
- Rules on non-tariff barriers should be adopted to provide special consideration for developing countries.
- Creation of an International Investment Trust to mobilize portfolio capital for investment in local

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53. Ibid., p. 23.



enterprises. The International Finance Corporation (IFC) would manage it and perhaps provide seed capital, but most of its fund would come from government and private investors.

- The capital of the International Finance Corporation should be at least quadrupled to increase the flow of private resources to developing countries.
- The US would be willing to participate in "a major new international effort" to expand raw material resources in developing countries, in which the World Bank and its affiliates, in concert with private sources, should play a fundamental role.
- The US indicated its willingness to hold a major share in a world food reserve system. It proposed that to meet potential shortfalls in food grains, potential total world reserves must reach at least 30 million tons of wheat and rice, and consideration should also be given to the question whether a similar reserve was needed in coarse grain.
- The US would contribute to and actively support the new UN Revolving Fund for Natural Resources, which would encourage the world wide exploration and exploitation of minerals, and thus promote one of the most promising endeavours of economic development.

- Establishment of an International Energy Institute to assist developing countries in energy development.
- Establishment of an International Centre for Exchange of Technological Information for the sharing of research findings relevant to developing countries.
- Establishment of an International Industrialization Institute to accelerate industrialization in developing countries.

On transnational corporations, the US reiterated its point of view that they had been powerful instruments of modernization, both in the industrial nations and in the developing countries. The US was, however, prepared to meet the proper concerns of governments on whose territories transnational enterprises operated. "We affirm that enterprises must act in full accordance with the sovereignty of host Governments and take full account of their public policy. Countries are entitled to regulate the operations of transnational enterprises within their borders. But countries wishing the benefits of these enterprises should foster the conditions that attract and maintain their productive operation".<sup>54</sup>

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54. Ibid., p. 38.

In conclusion, the US representative said his government had not offered these proposals as an act of charity nor should they be received as if due (a reference to the demand from developing countries for automatic transfers). "Materially as well as morally, our destinies are intertwined ....We can say once more to the new nations ; We have heard your voices. We embrace your hopes. We will join your efforts. We commit ourselves to our common success".<sup>55</sup>

The package presented by the US through the Kissinger/Moynihan speech was not in itself revolutionary. Some of the proposals, such as those relating to IMF and World Bank, had already been under discussion for some time, while others, formulated as working hypotheses, would clearly need detailed and complex negotiations. What was new in the speech was the tone. The speech stressed the need for a dialogue; in this Kissinger was consonant with Bouteflika. Though the political and economic implications of the OPEC action were seen through two totally different perspectives by Kissinger and Bouteflika, they both agreed on the interdependence theme and the need for negotiations.

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55. Ibid., p. 63-65.

It is interesting to note that Kissinger's speech was drafted in such a way that even where it seemed to indicate agreement with the proposals of the Group of 77, it avoided using their language. Omission of any mention of UNIDO or UNCTAD was also probably deliberate, as these two agencies are clearly identified in the minds of US policy makers with Third World demands. Reports indicate that US Treasury Secretary Simon's association with the proposals in the speech was obtained through long and serious negotiations between him and Kissinger.<sup>56</sup>

The US, adopted a conciliatory tone, which shows that the Seventh Special Session was constructive and led to many useful improvements in international mechanism designed to aid Third World countries but the institutional reforms were left outstanding. The US expressed its reservations on several points including the indexation (stable relation between export prices of raw materials and import prices of manufactured goods) and "link" between the creation of Special Drawing Rights (SDR) and development assistance. However, despite these reservations there was an overall agreement and this was reflected in the final statement of the US representative when he said :

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56. The Inter-Dependent October 1975, p. 1.

Perhaps never in the history of the United Nations, has there been so intensive and so genuine a negotiation among so many nations on so profoundly important a range of issues. We have shown that we can negotiate in good faith and in doing so, reach genuine accord. Not least, we have shown that this can be done in the unique and indispensable setting of the United Nations.<sup>57</sup>

The Kissinger/Moynihan speech and proposals indicated that the US was willing to turn away from confrontation and seriously consider the modalities by which the economic needs of the developing countries could be better served by the International Economic System.<sup>58</sup>

The change can be attributed to a number of notable developments that took place between the Sixth and Seventh Special Sessions. First the NIEO was discussed at a conference of 110 developing countries in Dakar in February 1975. The Dakar Conference excluded Northern participants. As a result, it was a unilateral action by the Third World rather than a dialogue—oriented North-South forum. The enunciation of claims and demands at such conference was a resort to the voice option, since the

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57. US Mission to the United Nations, press release, 16 September 1975. USUN-94(75), UN Doc. A/PV.2349, pp. 27-30.

58. L.K. Jhan, North-South Debate, Delhi, 1982, pp.46-47.

North was, nevertheless, expected to be their "implicit audience".<sup>59</sup> Secondly, to discuss the problems of raw materials, the United Nations Industrial Development Organization (UNIDO) second conference was held in Lima in early 1975. A resolution sponsored by the Indian delegation was passed which urged, that the share of the developing countries in the world's industrial production should be raised from 7 per cent in 1975 to 25 per cent by 2000 A.D.<sup>60</sup>

Thirdly, the West European countries were willing to come to terms with the Third World nations, realising their own vulnerability and dependence for raw materials on the developing countries.<sup>61</sup> This was evident in the

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59. Kuniko Y. Inoguchi, "Exit and Voice The Third World Response ; To Dependency since OPEC's Initiative", in Charles W. Kegley, jr and Pat McGowan, eds., n.8, p. 265.

60. See UN Documents : ID/CONF.3Sr, 18 Add. 1/Rev. 1. Also see V.K. Narasimhan, "Reduction in Defence Expenditure Vital for Building UP New International Economic Order", Yojna, vol. 24, 26 January 1980, p. 34.

61. "In West Europe, consumption of eleven basic industrial raw materials — bauxite, copper, lead, phosphate, zinc, crome, ore, manganese ore, magnesium, nickle, tungsten exceeds production and in the case of copper, phosphates, nickle, manganese ore and chrome, nearly all needs must now be met from imports. For details, see Michael P.Todaro, Economic Development in the Third World, New York, Longman, 1981, pp. 493-494. Apart from their dependence on the Third World, European countries want to become independent of the US economic orbit. For details see Michael Hudson, n.9, pp. 1-4 and 78-93.

Lome Agreement between the EEC and African, Caribbean and Pacific states in April 1975. The decisions arrived at were : first, that the developing countries were to have duty-free access to EEC markets on a non-reciprocal basis for almost all agricultural commodities; secondly, that an Aid Fund of \$ 3.6 billion was to be set up for a period of five years for development finance and thirdly, that stabilization scheme be devised to smooth out fluctuations in foreign exchange earnings of these countries from a number of commodity exports.<sup>62</sup> Lome Convention thus made a remarkable achievement in the scope and magnitude of EEC - South Cooperation. The outward - looking trend of the EEC created fear amongst the US of losing the support of her European allies resulting in the US, reluctantly but surely, coming round to the prospects of serious negotiations.

The Kissinger/Moynihan speech was followed by that of Mariano Rumor, Minister of foreign affairs of Italy, who spoke on behalf of the European Economic Community.<sup>63</sup> Referring to the plight of the developing countries, he

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62. For more details see Frans A.M. Alting Von Gensau, ed., The Lome Convention and a New International Economic Order, Tilburg, Leydon, A.W. Seijthoff 1977, pp. 63-100.

63. For the text of Rumor's speech, see UN Doc. n.39, 1 September 1975, pp. 66-90.

stated that, while the industrialized countries were likely to show a small surplus at the end of 1975, the deficit of the developing countries had not been reduced. In fact, the deficit of the poorest countries would probably rise from \$ 28 billion in 1974 to \$ 34 billion in 1975. Furthermore, there was no increase in the gross national product of these countries in 1974.

"The time has come", he went on, "to recognise that monetary stability and order, secure conditions for trade and international investments, a balanced distribution of resources — and thus political and social stability — are interdependent objectives which cannot be achieved without a new, better balanced, wiser and fairer international economic order".<sup>64</sup>

Speaking as the president of the Council of the European Economic Community, he indicated that the aim pursued by the community and its nine-member states at the Special Session, was the achievement of real progress toward a more equitable pattern of international economic relations to strengthen the position of the developing countries. The community attached particular importance to the problems of the poorest developing

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64. Ibid., p. 71.



countries and felt that specific measures should be introduced to assist them.

With these objectives in view, he indicated the community was willing to work on the following specific proposals :

- The community was prepared to promote and support international action to achieve for the benefit of all the developing countries which produced raw materials, improvement in the compensatory financial mechanisms of the International Monetary Fund.
- The community was willing to make constructive contributions to international discussions aimed at improving market access for primary and processed products from developing countries.
- On industrial cooperation and the transfer of technology, the aim should be to enhance the industrial development of Third World countries by improving the international division of labour. This could be achieved by creating expanding production capacity and by taking particular account of the employment problems facing both the developing and the industrialized countries.

- The Community was prepared to participate, within the framework of UNCTAD, in any discussions on an international code of conduct on transfer of technologies, taking due account of the needs of the developing countries.
- On the volume of aid the community was determined to achieve the target of 0.7 per cent of GNP for public aid.
- The Community favoured the ideas put forward by the World Bank for setting up a financing mechanism somewhere between the loans made by the bank and the credits granted by the International Development Association (IDA). It was also willing to contribute to the special IMF account to reduce the interest burden payable under the oil facility by the hardest hit countries.

The EEC thus went farther than the US in accepting the official aid target and indicating its willingness to consider, if not to immediately accept, many of the proposals put forward by the Group of 77. Though the proposals relating to indexation were not directly alluded to, the EEC felt that the kind of mechanism that had been worked

out through the Lome Convention could be considered as one of the possibilities for stabilizing export earnings of developing countries. The EEC also supported proposals for expanding the capacity of the World Bank and IMF to deal with the monetary and economic problems of the developing countries. While in the case of the World Bank, this would mean expanding its current capacity, in the case of IMF, this would mean to some extent converting it from a monetary institution into an aid-giving institution.

The attitude of the socialist countries in Eastern Europe as expressed by the representative of the USSR, Yakov Malik, was consistent with the approach taken by them at earlier assembly sessions.<sup>65</sup> According to the USSR representative, the socialist countries were "natural allies" of developing countries.<sup>66</sup> He went on to say that "the present political situation in the world is particularly favourable for the solution of these problems. It is characterized by the continuing relaxation of tension, the diminishing danger of war and the affirmation of the principles of peaceful co-existence in international

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65. For the text of Malik's speech, see UN Doc. A/PV. 2330 , 3 September, 1975, pp. 22-45.

66. Ibid., p. 23-25.

relations. To make political detente an irreversible process and to complement it by military detente, to take real steps towards limiting the nuclear arms race and averting a nuclear war, to reduce and subsequently end the arms race while working for general and complete disarmament is the order of the day".<sup>67</sup>

The Chinese statement emphasized "self-reliance" and was generally sympathetic to the objectives of the Group of 77.<sup>68</sup> Li Chiang, the minister for foreign trade of China did not comment on specific proposals, nor did the representative of the USSR.

The foregoing discussions leads to the conclusion that the Sixth and Seventh Special Sessions of the UN General Assembly were historic ones. For the first time the developed countries agreed to come to a negotiating table for resolving the issues of raw materials, development and cooperation under the aegis of the UN. This was a significant development in the international economic relation. Prior to these sessions, the international relations were dominated by the two contradictory positions adopted by the developed and developing nations. The

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67. Ibid., p. 26.

68. For the text of Li Chiang's speech, see UN Doc. A/PV. 2329, 16 September 1975, pp. 16-40.

former wanted to preserve and maintain the status quo while the latter along with the USSR insisted on reforming and modifying the rules of the game governing the world economic relations. The willingness on the part of the developed nations to attend and participate on economic issues was a major breakthrough.

From the developing countries' point of view, the Sixth Special Session was a great success as it led to the adoption of the resolution by consensus for the establishment of the NIEO and the Programme of Action for implementing its proposals. The developed western countries looked upon the NIEO resolution as a veiled challenge to their supremacy, domination and balance of power. Initially, they were hesitant to put their seal of approval on the resolution, but realising their strategic dependence on raw materials particularly oil, they consented to the NIEO resolution with reservations. The resolution, however, was vague, as it did not specify the concrete line of action and the mechanism to implement it. The developing countries could not visualise this loophole before hand.

The Seventh Special Session veered to the problems of global development and cooperation as they were the mainstay of the NIEO proposals. The developed Western nations whose attitude at the Sixth Session was unrelenting,

however, showed some flexibility in their the Seventh Special Session. The industrial countries especially the US offered some suggestions presumably to give semblance of their willingness to reform the international system. Prior to the Seventh Special Session, it was generally believed that the US foreign policy was more oriented to security issues and military alliances, but at its conclusion, the policy makers in the US realised the importance of economic issues in the international relations.

At these two Special Sessions, the USSR and its Eastern allies merely extended their moral support to the developing countries, this is true because at the Seventh Special Session they gave no proposals as to their idea of restructuring the existing international economic relations.

Ever since the Sixth and Seventh Special Sessions, negotiations had continued in various international forums to resolve areas of differences but there has been little success.

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## CHAPTER - IV

### SOME ISSUES, DEMANDS AND RESPONSES

Since its original publication in the form of the Declaration of the fourth summit conference of the non-aligned states held at Algiers in 1973, a number of details of the NIEO have been modified and there is therefore no single official text. However, the composition and the essence of its proposals for the early 1980s remain basically the same and some of these may be summarised as follows along with the superpowers' stance.

#### 1. TRADE

Trade has been a very vital factor in the international economic relations between the developed and developing countries. Classical economic thinkers looked upon trade as an engine of growth. In the contemporary world, trade is regarded as an instrument of global economic cooperation and prosperity. To share the fruits of global prosperity, the developing countries have been focussing their attention on the expansion of trade both commodity and manufactures.

(a) Commodity Trade

Commodity trade has been and continue to be the basis of wealth for the contemporary developing world. For historical and related reasons, the primary commodities are of particular importance to developing countries as a primary source of their export earnings. Of the 102 developing countries, only seven have exports of whose value raw materials comprise less than 50 per cent, the proportion is more than 85 per cent in case of 76 countries, while the export of a number of other countries, consist almost entirely of these commodities.<sup>1</sup> The worst aspect of this phenomenon has been the shrinkage of the value of the share of raw materials in world trade from 38 per cent to 19 per cent in the period 1955-1976 and decline in developing countries' share in commodity from 40.8 per cent to 29.4 per cent in the same period.<sup>2</sup> This situation is compounded for some developing countries with a high degree of dependence on one or two

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1. United Nations, Towards the New International Economic Order ; The Report of the Director-General for Development and International Economic Cooperation, UN Doc A/S-11/S, New York, 1982, P.8.
  2. Ibid.



commodities for export earnings.<sup>3</sup> Some of the countries, which in recent years have obtained almost their export earnings from one commodity (apart from oil), are Zambia (97 per cent from copper), Mauritius (90 per cent from sugar), Cuba (84 per cent from sugar), Bangladesh (81 per cent from jute), Gambia (85 per cent from groundnuts and groundnut oil).<sup>4</sup> The export income has been shrinking because of the decline of commodity prices in the international markets and it has become a fact of life with the developing countries. There has been a continuous decline in the prices of non-fuel commodity from 1965 to 1982. However, this trend was reversed in December 1982. At the lowest point, the nominal prices of these commodities had fallen to their 1978 level.<sup>5</sup> But in real terms—after adjusting for the rise in the prices of manufactures imported by the

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3. It may be pointed out that in some countries of South-East Asia and Latin America. There has been a significant increase in the manufactured exports of the developing countries in the last two decades and such exports now count for over two fifth of their total export trade. India's dependence on the export of commodities has decreased over the years. Ibid.

4. North-South : A Programme for Survival—A Report of Independent Commission on International Development Issues under the Chairmanship of Willy Brandt, London, 1980, P. 145.

5. World Bank, World Development Report 1983, New York, P. 10.

developing countries — commodity prices in US dollars were lower in 1982 than at any time since world war II.<sup>6</sup> This trend of commodity price has been quite disturbing for the developing countries.

In a single year, a country's foreign exchange earnings can drop by a third, a half or even more. A country like Zambia, 95 per cent dependent on copper for its exports, cannot plan its economy when prices swing between £ 400, £ 1,400 and £ 500 a ton within three years.<sup>7</sup> This phenomenon prompted the then President Julius Nyerere of Tanzania to comment :

When we were preparing our First Five Year Development Plan, the prices of sisal was £ 148 per ton. We felt that this price was not likely to continue, so we planned on the basis that it might average £ 95 a ton. It dropped to less than £ 70.<sup>8</sup>

Thus price instability of primary products in the international market, has been and is likely to continue to be the issue of major concern to the developing countries.

6. Ibid., p. 11. According to Economy Declaration of the Seventh Non-aligned Summit, the commodity prices in real terms were the lowest in the last fifty years, See Economic Declaration ; Seventh Non-aligned Summit, New Delhi, External publicity Division, Ministry of External Affairs, Government of India, March 1983, p. 57. Hereafter referred to as New Delhi Summit Documents.

7. Geoffrey Lean, Rich World, Poor World, London, George Allen & Unwin, 1978, p. 54.

8. Ibid.

Another factor responsible for aggravating the situation has been the weak financial and foreign exchange position of the developing countries, which forces them to sell their product at inappropriate time when the price in the international market is least favourable. The sale of cocoa by the cocoa producing countries explains this point. The cocoa producing countries, even before harvesting their 1968-69 crop, sold it at price one third below the average price which prevailed after the harvest.<sup>9</sup> In this context Geoffrey Lean writes :

More serious still, a good deal of some of these products are imported from poor countries, many of whose people need the food themselves. For example, it was calculated some years ago that if fishmeal exported from Chile and Peru for animal feed had been used at home, all the people of Latin America could have eaten as well as the Southern Europeans. In Brazil, production of soyabeans for export, to feed animals has been sharply increased, replacing crops of traditional beans that make up the staple diet of lower-income families. Poor people do not have the money and the buying power to compete and their governments need the foreign exchange. It is a case of export and die.<sup>10</sup>

Another irritant in the commodity trade has been the problem of protectionism. The protectionist measures

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9. Brandt Report, n.4, p. 146.

10. Geoffrey Lean, n.7, p. 23.

adopted by the developed countries in one form or the other restrict the entry of farm commodities in the developed markets and thus deprive the farm goods exporting countries the much needed foreign exchange. For example, the US instead of importing cheap sugar from the Third World countries, meets its 60 per cent consumption by costly production of beet sugar at home. In some European countries the beet sugar is subsidised to the extent that its price becomes comparable with the imported sugar price. Fred Bergsten of the Brookings Institute estimates that tariffs and import quotas on such things as sugar, fresh and frozen meat, dairy products like milk, cheese and butter cost the US consumers an estimated 12 billion dollars per year.<sup>11</sup> Had the US imported such farm products, that would have not only saved its consumers from the vagaries of high cost, but could also have helped the developing exporting countries earn the much needed foreign exchange.

Moreover, the unprocessed commodities enter duty free but tariffs are imposed on the same product when these are processed. Juliet Clifford and Gwion Osmond from Overseas Development Institute illustrate this point

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11. As cited in Lester Brown in World Without Borders, New Delhi, Affiliated East-West press, 1972, pp. 234-235.

with the example of copper. They say that unprocessed copper is imported duty free while duty is levied on copper wire. Hides and skins enter the US duty free while leather is liable to 4 per cent to 5 per cent tariffs and shoes, to an 8 per cent to 10 per cent tariff.<sup>12</sup>

Mahbub-ul-Haq, the then planning Minister of Pakistan, studied twelve major commodities, excluding oil, which make up about 80 per cent of the export earnings of the developing countries. He found that :

When they had been processed or made into industrial goods, they were worth 200 billion dollars. But the primary producers were paid only \$ 30 billion for them. Obviously, if the poor countries were able to industrialize they themselves would benefit from the value added by processing and manufacture.<sup>13</sup>

One more problem connected with commodity trade has been the unfair and deteriorating terms of trade. The developing countries contend that the prices of primary commodities exported by them are kept artificially low by Northern monopolies, cartels and trans-

12. Ibid.

13. See for details, Mahbub-ul-Haq, The Poverty Curtain : Choices for the Third World, Bombay, Oxford University Press, 1978, pp. 159-160. Also see Geoffrey Lean, n.7, pp. 55-56.

national corporations.<sup>14</sup> These have declined relatively to those of industrial goods imported by them and consequently they are landed in the quagmire of unfavourable terms of trade<sup>15</sup> leading to a deficit in the balance of

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14. For similar views see Julius Nyerere, "Poor of the Third World" Mainstream, vol. 18, no. 32, 5 April 1980, p. 17. Also see Fidel Castro, The World Economic and Social Crisis; Report to the Seventh Conference of Non-aligned countries, Havana, Publishing Office of the Council of State, 1983.
  15. Contrary views have been expressed by I.M.D. Little, that UNCTAD was founded on the mistaken views which it has enshrined by constant repetition into the myth that there is a trend in the terms of trade against developing countries as a result of an adverse trend in the terms of trade between manufactures and commodities. The mistake was originated by a League of Nations publication in 1945 and repeated by an early UN publication despite improvement in the terms of trade associated with the Korean war boom. See for details, I.M.D. Little, "Economic Relations with the Third World : Old Myths and New Prospects", The Scottish Journal of Political Economy, November 1975, p. 227. But Affred Maizels has pointed out that terms of trade of developing countries deteriorated by more than 10 per cent from the mid 1950s to the end of 1960s. Between the end of 1960s and 1972 there was a further deterioration in the terms of trade of non-oil exporting developing countries. By the latter year they had deteriorated by some 15 per cent compaired with the mid 1950s, equivalent a loss in 1972 of about 10 billion dollars or more than 20 per cent of these countries' aggregate export. See for details, A. Maizels, "A New International Strategy for Primary Commodities", in G.K. Helleiner, ed., A World Divided : The Less Developed Countries in the International Economy, Cambridge, Cambridge University Press, 1976, p. 35.

payments. They, therefore, want a stable link between the prices of commodities they export and manufactured goods they import.

Accordingly, non-aligned documents propose as a remedy an Integrated Programme for Commodities, namely the conclusion of international trade agreements on the 18 principal raw material exports<sup>16</sup> to stabilise the markets by prompt manoeuvring of "buffer stocks" which would absorb the surplus when supply is high and be a source of additional goods when demand is high, thereby keeping price fluctuations within certain limits. A "Common Fund" would finance these operations. In addition, it is recommended to expand raw material processing at the site of extraction, invigorate the associations of exporter countries, and introduce "indexation" of raw material prices by "linking" them to the price index of the manufactured goods imported by the developing countries. The NIEO programme also calls for expanded

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16. The eighteen commodities includes, cocoa, coffee, copper, cotton, hard fibre, jute, rubber, sugar, tea and tin (core commodities with buffer stocks), bananas, bauxite, iron, manganese, meat, phosphate, timber and vegetable oil. With this wide range of commodities, the international programme for commodities (IPC) was expected to ensure benefits to a large number of countries and unity among the developing countries.

compensatory financing of raw material producers by the International Monetary Fund (IMF) in the event of a sharp fall in their export earnings. Finally, non-aligned documents demand the abolition of tariffs and internal taxes on raw materials in the importer countries so as to make them more accessible to the consumers.<sup>17</sup>

The idea of controlling of commodity prices initially encountered strong opposition from many developed countries notably the US. In an address (then considered relatively conciliatory) to the Seventh Special Session of the UN General Assembly in September 1975, the then US Secretary of State Henry Kissinger argued that :

Price stabilisation is not generally a promising approach. For many commodities it would be difficult to achieve without severe restrictions on production or exports, extremely expensive stocks, or price levels which would stimulate substitutes and thereby work to the long-range disadvantage of producers.<sup>18</sup>

At this stage, the US was prepared to do no more than discuss commodity agreements on an individual basis. However, the suggestion for improving compensatory financing

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17. For details see UN Doc. A/Res. 3202 (S-VI) 1 May 1974, Also see UNCTAD Res. 93 (IV), Nairobi, 30 May 1976.

18. Global Consensus and Economic Development ; Text of Address by Secretary Kissinger (read before the Seventh Special Session of the UN General Assembly on 1 September 1975 by D.P. Moynihan, then US Representative to the UN), Department of State Bulletin, vol. 73, No. 1891, 22 September 1975, p. 428.



scheme (which was a short term measure and not a major reform for restructuring the commodity trade) found greater acceptance among the developed countries including the US. In December 1975, the Executive Board of the IMF agreed to a significant liberalisation of the Funds Compensatory Financing Facility. Partly because of this liberalisation and partly because of the sharp fall in commodity prices from 1975, the developing countries made much greater use of the facility. See table 4.1.

Table 4.1

Drawings under the IMF Compensatory Financing Scheme in (SDR)

1963 to December 1975	1975-76	1976-77
Average 82 million/year	828 million	1753 million
Peak 300 million in 1972		

Source : IMF, Annual Report 1976 (Washington, D.C., 1976), p. 52, Annual Report 1977.

However improvements in the IMF facility were of limited value to the developing countries. As an UNCTAD paper noted, the facility has a number of weaknesses : in particular :

Countries making use of it have to fulfil certain conditions which lessen the usefulness of the scheme to them. Borrowing is limited to a certain percentage of a country's IMF quota, which is lowest for the poorest developing countries. In addition, it is

calculated on the basis of export statistics which many developing countries are unable to produce. The loans must be repaid at the latest within three to five years, and the normal interest rates for IMF transactions must be paid.<sup>19</sup>

With regards to the proposal for a Common Fund, the developed Western countries led by the US, reluctantly agreed to the general principles of common fund at the end of the Paris Conference in June 1977.<sup>20</sup> However, negotiations concerning the details of the Fund have proven difficult. Lack of accord between the developed Western nations and the "Group of 77" (representing the developing countries) led to temporary suspension of negotiations on the Fund in December 1977. One area of disagreement concerned the method of financing the Fund. Spokesman for the Western industrialised nations held that the individual commodity associations should bear the prime responsibility for financing buffer stocks. The developing countries wanted the Fund to be financed largely by direct contributions from governments. The other principal area of disagreement

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19. UNCTAD, Towards an Integrated Commodity Policy, (Briefing paper No. 1 June 1975, p. 6. The developing countries have accordingly sought further liberalisation of the IMF Facility. A Communique of the Group of 24 on International Monetary Affairs issued on 22 September 1978 urged that the limit on drawings be raised to 100 per cent of a member's quota, and that payment periods be lengthened to 5-7 years. See IMF Survey, 2 October 1978, pp. 306-307, (The Group of 24 Countries of developing countries with 8 from each of Latin America, Asia and Africa).

20. See J. Amuzegar, "A Requiem for the North-South Conference" Foreign Affairs, vol. 56, No. 1, October 1977, pp.136-159.

concerned the role of the Fund in areas apart from buffer stock financing. The developing countries argued that it should be able to fund, through a "Second window", such measures as export diversification and market research. The US and other Western countries favoured a more limited role for the Fund, though they did not rule out the possibility of a "Second window" entirely.<sup>21</sup>

A greater measure of accord on these issues has been achieved when the UN Negotiating Conference on a Common Fund resumed in November 1978. The idea of a second window was by this time widely accepted though there was still disagreement over its scope and financing. The US and other Western developed nations were also prepared to make direct government contributions to the Fund on a substantial scale, though the amount they were prepared to offer informally (apparently \$ 350 - \$ 375 million) was below the \$ 450 million to \$ 500 million then being requested by the "Group of 77" representing the developing countries. One important issue which remained to be resolved concerned the contribution to be made by the

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21. See UNCTAD Monthly Bulletin No. 136, January 1978, also see Australian Financial Review, 2 December 1977, M. Subhan, "Uphill Battle on Commodities", Far Eastern Economic Review, vol. 99, No. 7, 17 February 1978, pp. 50-52.

individual commodity associations. The US and other Western nations argued that the commodity associations should deposit a relatively high proportion of their maximum financial requirements with the Fund, while the developing countries sought a lower contribution.<sup>22</sup>

The Soviet response to the Integrated Programme for Commodities is clear from the joint Statement of the socialist countries to UNCTAD IV which begins its remarks on this question by stressing that consumer as well as producer interests must be protected, and that while improved terms of trade for the developing countries are justified, they must devote more energy to the control of foreign capital. Priority should be given to the least developed countries and they were "in principle favourably disposed" to a link between export and import prices for the developing countries. But compensatory financing facilities "cannot be seen as an effective means of perfecting the structure and organization of commodity markets".<sup>23</sup>

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22. See Australia Financial Review, 4 December 1978; Ibid., 2 January 1979, West Australian, 30 December 1978; Ibid., 8 January 1979.

23. Joint Statement by the Socialist Countries at the Fourth Session of the United Nations Conference on Trade and Development. Supplement to Foreign Trade, 9 April 1976, p. 8.

Buffer stocks were viewed as alternatives to long-term bilateral agreements, and they urged that participating members should have the choice of which method they used.

In the period after UNCTAD IV, the Centrally Planned Economies led by the USSR showed no more interest than developed market economies in constructing a commodity system which involved substantial resource transfer. While they participated in the preliminary agreement on the Common Fund which was stitched together in March 1979, like the US and other developed Western nations they were reported to be unhappy with the outcome.<sup>24</sup> For the US and the USSR the voting or share distribution was the major problem. (See table 4.2 for the Common Fund's Voting Rights and Contributions under the March 1979 agreement). In later, more detailed negotiation, they criticized but eventually accepted the proposal that they provide 17% of the Fund's first window of \$ 250 million of non-free capital, although receiving only

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24. The Economist, 24 March 1979.

8% of the Votes on the Fund's Council.<sup>25</sup> Alongwith similar Western reservations these disagreements delayed the adoption of the Fund's Articles of Agreement until June 1980. As the Fund is also dependent on the formation of its associated commodity agreements, it remains to be seen whether the Centrally Planned Economies will raise further difficulties over the creation, or over the actual, and long postponed inauguration of the Fund.

Table 4.2

Common Funds : Voting Rights and Contributions Under the March 1979 Agreement.

	"Group of 77"	Group B Western Industria- lized countries	Group D Socialist	China
Contributions to the first window over and above equal	10%	68%	17%	5%
Total : \$320 million				
Voting rights	47%	42%	8%	3%

Source : UNCTAD Monthly Bulletin, No. 151, April-May 1979.

25. The Guardian, 6 November 1979, A further \$ 150 million was to be raised for the first window by a per country admission of \$ 1 million. It is intended that the second window, which is to finance marketing, export promotion and other non-stocking activities, should have \$ 70 million. From direct government contributions, The UN Chronicle, 27 July 1970, pp. 65-66.

Although such arrangements are not obviously totally unacceptable to the CPEs, they fall well short of the preferred variants. An Hungarian assessment of UNCTAD V provides interesting evidence of some objection to earlier proposals. Nyerges in 1979, criticizes the developing countries' approach to raw material problems, because oil and other commodities in strong market positions were not on the agenda. Hungary, he claims, would like to conclude agreements for thirty-six important raw materials, not just the eighteen in the original integrated programme. Echoing the joint statement to UNCTAD IV, he suggests that the preferred regulatory device should be contractual obligations by the participants, including a specification of maximum and minimum prices rather than export quotas or countervailing funds. Indexation is rejected because it could lead to Western inflationary processes being transmitted to the Hungarian economy. The preferred version of the agreement would obviously involve a smaller outlay than the developing countries' proposals, and in net terms might well be highly advantageous to Hungary.

After endless rounds of negotiations an agreement on the establishment of a Common Fund was finally reached in June 1980. The result, however, turned out

to be very different from the original scheme. The Fund will have an assured capital base of only \$ 470 million consisting of obligatory governmental contributions (About half the amount is to be provided by the West, one third by the developing countries, ten per cent by the Eastern bloc and three per cent by China). In addition it is hoped that \$ 350 million will be raised by voluntary contributions to the Fund's "Second window". This account has been set up to promote processing and marketing of commodities by the producing countries. So the resources actually available to the Fund are around ten per cent of the amount originally envisaged.

The voting rights in the Fund give the "Group of 77" representing the developing countries 47 per cent, the Western industrialized countries 42 per cent, the socialist bloc 8 per cent and China 3 per cent. On paper this may look like a major achievement for the developing countries. However, all major decisions without important financial implications require a qualified majority of three quarters of all the votes. This means that the largest Western countries in effect have a veto power over the future dealings of the Fund. The agreement also includes severe limitations on the use of these funds. The developing countries demands for full fungibility



between the Fund and the connected ICAs, which is the crux of the whole idea of the pooling of resources, were eventually turned down.<sup>26</sup>

While the original scheme envisaged the Common Fund as a catalyst and initiator of individual ICAs, the result seems to be a fund dependent on them. Several independent observers have concluded that the Common Fund as it now stands is of little value to the developing countries.<sup>27</sup> This may be the reason why the developing countries themselves have been rather slow in ratifying the draft Articles of Agreement. Some of them have even expressed doubts of whether it is in their long-term interest to link ICAs to the Fund, and attempts have been made to de-link the Fund from UNCTAD.<sup>28</sup>

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26. For more details see Development Forum, July-August 1980, pp. 1-2.

27. See, For example, the opinion expressed by Andres Ferdermann in The South, October 1980, p. 17. In UN language a similar sentiment is expressed more diplomatically in this way : "Experience will show the extent to which the nature and size of the Common Fund as agreed will provide adequate protection for the many financially weak producing countries in the face of markets that are dominated by strong oligopolistic buyers" Assessment of the progress made in the Establishment of the New International Economic Order and of Developing countries and International Economic Cooperation, Report of the Secretary-General to the UN General Assembly of 7 August 1980, A/S-11/5, pp. 25-26. Hereafter referred to as The UN Assessment.

28. Reported in North-South Monitor. Third World Quarterly, July 1981, pp. 410-411.

As to individual ICAs, very little progress has been made. By late 1981 only one agreement — on natural rubber — has been concluded. Negotiations on cocoa, tin, coffee and jute have run into difficulties, and the talks on most other commodities are virtually stalled. In UN jargon : "recent developments are not reassuring".<sup>29</sup> The outcome reflects both Western, Eastern opposition and increasing disagreement among the developing producing countries themselves. The lack of progress in this area will have a further crippling effect on the Common Fund, since it has been made dependent on the formation of individual ICAs.

With regard to indexation, the developing countries have not achieved anything at all as the West refused even to discuss the concept. In practice, most commodity exporting countries have experienced a continuing worsening in their terms of trade vis-a-vis the West, in the same period as these negotiations have taken place.<sup>30</sup>

The developing countries, however became conscious of the fact that real remedy to their trade problems in the long run lay in the expansion of manufactured trade. Let us now turn to this issue of manufactures.

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29. UN Assessment, n.27, p. 25.

30. Ibid., p. 41.

(b) Manufacture :

Apart from what happens in the commodity trade, industrialisation offers opportunity and promise for high incomes, greater employment and a better distribution of income for most of the Third World.<sup>31</sup> It can also bring change in the world power structure as the industrial growth of the US, Germany, the Soviet Union and Japan has made these countries the industrial empires and enhanced their economic power. Unfortunately, the present system of international trade is tilted against the industrialisation of the developing countries. These countries, with initial impediment (lack of capital, expertise, technology and limited internal markets) have to compete with the manufactured goods of rich countries, and "if they happen to compete then they find tariffs which grow higher with the degree of processing, the material has undergone". Five per cent tariffs are imposed on raw materials like raw cotton, rubber, metal ores and wood. For semi-manufactured goods like metal, they are at least double; and for finished goods like wood,

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31. See Robert E. Baldwin, John H. Mutti and J. David Richardson, "Crucial Issues for Current International Trade Policy" in David B.H. Denoon, ed., The New International Economic Order : A US Response, New York, 1979, p. 69.

cotton, jute and clothing, they are upto twice as high.<sup>32</sup> Under such a scheme of discrimination, the advantages of cheap labour and locally available raw materials for some industries are lost. Food processing is an industry which suits the developing countries, but it comes up against the same discrimination. For example, raw cocoa is allowed free in Japan, but if it is made into cocoa powder it comes under the tariff of 30 per cent and if it is turned into chocolate, the tariff is 35 per cent. The developing countries can produce some commodities more cheaply but they are made dear in the international markets through tariffs. The present international trade system, therefore, deprives them of the gains of comparative cost theory.

Apart from tariffs, another related problem which developing countries face is the "escape clause", which means the perpetuation of discrimination through Non-Tariff Barriers (NTB).<sup>33</sup> These include a large number of pro-

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32. See Geoffrey Lean, n.7, p. 56.

33. Traditionally tariffs have been the principal tool of commercial policy. Since the importance of tariffs declined as a result of tariff reductions under multilateral trade negotiations like Kennedy Round (1964-67) and Tokyo Round (1973-79), non-tariff barriers as logical alternative for securing increased protection have come into existence. See for details, S.K. Jain, "Non-Tariff Trade Barriers : Their Fallacies and Implications", India Quarterly, vol.8, No. 2, April-June 1982, p. 178.

tectionist practices. UNCTAD has identified 700 practices which range from government subsidies, qualitative restrictions to deliberately complex administrative procedures.<sup>34</sup> To add to this, the developing countries' exporting manufacturers face another kind of cost in the uncertainty surrounding the industrial countries' trade barriers which are subject to abrupt changes depending upon their own income situation and the state of balance of payments.<sup>35</sup> For instance the Canadian government resorted to the Orderly Marketing Agreements (OMA)<sup>36</sup> about the imports of clothing from four countries — Hongkong, Korea, China and Taiwan. This was done to assist the failing domestic clothing and textile industry in the country inspite of the Canadian government's policy declared at Williamsburg to have two year ban on new tariffs barriers in order to revive the world economy.<sup>37</sup>

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34. As cited in Fidel Castro, n.14, pp. 73-74.

35. Ibid.

36. Under such agreements the foreign countries agree to quantitative limits in their exports of particular products. See for details, Robert E. Baldwin, John H. Multi and J. David Richardson, in David B.H. Denoon, ed. n. 31, pp. 36-37.

37. The Indian Express, New Delhi, 3 September 1983. For more details of West's protectionist pressures against developing countries, see UNCTAD, The Trade and Development Report, 1985.

The developed countries particularly the US have sought to justify imposition of non-tariff barriers by arguing that such restrictions were intended to (i) improve their terms of trade; (ii) reduce the balance of payment deficits; (iii) maintain high employment levels and price stability and (v) ensure better quality of life to their people. These justifications would seem untenable if one may analyse the causes of unfavourable balances of the developed countries. One major cause has been the quickening pace of economic activity requiring higher and higher levels of goods and services. Another reason has been the heavy increase in military expenditure particularly in the US. Structural shifts in trade positions have also been responsible for growing trade deficits. For example the US has become a net importer of mineral fuels, motor vehicles and other manufactures such as textiles, iron and steel, chemicals and machinery. Poor performance on export front is also a factor. The faster diffusion of technology, the spread of managerial methods and greater international mobility of capital through multinational corporations, all have adversely affected their exports, and developed countries possess lesser comparative advantages in many of their export items.

The use of non-tariff barriers also severely affects the developing countries as they have not got many alternatives to absorb the surplus labour and the investment released by exporting industries hardly exists. Non-tariff barriers make it difficult for developing countries to meet their import requirements, as some developing countries have high export-oriented and import dependent economies. Negative developments in their export sectors heavily impinge on their overall development. Thus non-tariff barriers bring callous economic hardships to them, resulting in the lowering of foreign exchange earnings and forcing the developing countries to forgo a large number of import requirements. Again developing countries carry heavy burden of external debt which they can pay off through export receipts. Non-tariff barriers adversely affect their export performance and thus increasing the burden of their external debt and restricting their potential for further borrowings.

It is also argued that use of non-tariff barriers has greatly retarded the process of industrialisation in the developing countries. These countries want to accelerate the industrialisation as this has been the principal engine of growth in the industrialised countries.

In order to facilitate manufactured exports from the developing to the developed countries, the non-aligned movement demands a general lowering of protectionist barriers, non-escalation of customs tariff rates in proportion to the extent of processing of the import, and continuation and expansion of the general preferential system. Introduced in developed countries in the mid-1970s, this system places low or zero tariffs on manufactured imports from the developing countries, these favourable terms being unilateral and unconditional. Hence the demand that the sphere of operation of these privileges should not be narrowed, that they should not be cancelled or devalued through the introduction of non-tariff restrictions, that the principle of unconditionality should be maintained, that there should be no discrimination in the allocation of tariff preferentials, etc. An argument advanced is the fact that in 1982 and 1983 there was a sharp fall in the growth rate of manufactured exports from the young states because protectionist barriers were reraised.<sup>38</sup>

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38. UNCTAD. Trade and Development Report, 1983.  
United Nations, New York, 1983, p. 35.



In broader terms, the Havana and the New Delhi Declarations demand that the developed countries take measures to adopt their economies structurally to the growing industrial imports from the developing countries, measures which should include the moving to the latter countries of some "lower floor" of manufacturing and technologically simple labour-intensive and material-intensive productions.<sup>39</sup>

The US response can be understood from its stance at UNCTAD V on resolution 131(V) containing the elements of structural changes. The US representatives' view point was that structural changes could not be possible due to economic and political constraints. The economic recovery of the developed nations would be enough to pull the developing countries out of recession, expand their exports, reduce their debt burden and raise their living standards. The US and other developed countries have agreed to extend the GSP into the 1980s but are dubious about its utility as a permanent arrangement. In the long run, the GSP could create problems for number of industrial states, particularly with regard

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39. For details of the Havana and New Delhi Economic Declarations of the Non-Aligned Countries, See Final Declaration-VI Conference, 3-9 September 1979, Cuba, Government of the Republic of Cuba, pp. 96-98, and New Delhi Summit Documents, n.6, pp. 99-101.

to semiprocessed and processed goods, which do not face tariff barriers when they are exported. Ironically, at least in regard to the export of high-technology goods, this has the appearance of placing the industrial states in a quasi-colonial relationship with some of the former colonial territories that had claimed to have been objects of exploitation.<sup>40</sup>

The industrialized countries notably the US have also balked at the idea of eliminating trade barriers in a non-reciprocal and preferential manner. Instead they proposed that all such question should be dealt with in the context of multilateral trade negotiations within the GATT framework. The developing countries however prefer to use UNCTAD where the strength of the Group of 77 is most concentrated.

Thus, there is disagreement not only on the issues, but also on the proper forum to be utilized for their resolution. This difference has existed for some time, and it does not appear that any immediate solution is likely.<sup>41</sup>

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40. Robert S. Jordan, "why A NIEO ? The view from the Third World", in Harold Jacobson and Dusan Sidjanski, ed., The Emerging International Economic Order : Dynamic processes constraints, and opportunities, New Delhi, Sage publications, 1982, p. 74.

41. Ibid.

Another aspect of this issue, which introduces further complications, is the insistence by the US that the question of access to markets be linked to reciprocal commitments, such as quarantening to the industrial states access to supplies of commodities and raw materials from the developing countries. The US does not feel that the developing states should be in a position where, on the one hand, they obtain a guaranteed preferential access to the markets of the industrial states, and on the other, retain to themselves the right to restrict or cut off the flow of raw materials vital to the economies of the industrial states.<sup>42</sup> This issue, too, is being pursued in both UNCTAD and the GATT, but because of the sensitivity and complexity of the entire package, it is difficult to envision rapid progress. However, the Tokyo Round of Multilateral Trade Negotiations, completed in 1979, did make valuable contributions to breaking this stalemate<sup>43</sup>. The industrial states agreed to reduce

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42. Ibid.

43. The outcome of the negotiations was two fold : first introduction of 'enabling clause', this means that contracting parties may accord differential and more favourable treatment to developing countries without according such treatment to other contracting parties not withstanding the provisions of Article 1 of the GATT (equality and reciprocity). Second, the agreement regarding the reduction of tariffs into the industrialized

tariffs by 38 per cent in eight years, and to impose stiffer regulations on tariff barriers.<sup>44</sup>

At UNCTAD VI, (1983) the developed Western countries did not change their stance which they had taken at the fifth conference of UNCTAD. However, under pressure, the US agreed to dispense with the barriers but two days later announced new curbs against certain steel imports in Washington. It appears that the US negotiators participated with instruction from Washington to oppose and reject all arguments for change, however well founded.

It will be instructive for us to start our discussion on the Soviet's response to the demand of the non-aligned and other developing countries' proposal for access to the market of the developed nations including the USSR, by quoting the Joint Statement by the Socialist Countries at the fourth UNCTAD Session to the effect that :

The socialist countries share the growing anxiety of African, Asian and Latin American countries at the deteriorating conditions of access for their products to the markets of developed market economy

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countries and reduction of non-tariffs, See A/S-11/6, 25 July 1980, p. 206. However, these concessions failed to meet the aspirations of the developing countries. For details see, L.N. Rangaragan, "Commodity Conflict Revisited : From Nairobi to Belgrade", Third World Quarterly, vol. 5, No. 3, July 1983, p. 594.

44. Robert S. Jordan, n. 40, p. 75.

countries, particularly of late, in times of serious economic crisis, which is leading to a strengthening of protectionist trends in those countries and to a curtailment of imports, as well as to a considerable weakening of measures to stimulate exports of manufactures and semi-manufactures from developing countries.<sup>45</sup>

The socialist countries fully support the idea of a comprehensive strategy for expanding and diversifying the exports of manufactures from the Third World and promote industrialisation in this part of the world. This is evidenced by the steady growth of imports of manufactures and semi-manufactures by socialist countries from the developing states (between 1971 and 1975 the growth stood at roughly 22 per cent, while in 1974-1975 it was more than 35 per cent).<sup>46</sup>

The share of manufactured and semi-manufactured products in the cost of soviet imports from these countries grew from 10.9 per cent in 1960 to 20 per cent in the late Seventies, while that share in the cost of India exports to the Soviet Union has reached 40 per cent.<sup>47</sup>

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45. Joint Statement by Socialist Countries at the Fourth UNCTAD Session, TD/211, Nairobi, 28 May 1976, p. 14.

46. Ibid.

47. As cited in Lev Komlev, The New International Economic Order, New Delhi, Sterling publishers, 1981, p. 81.

The Secretary-General of UNCTAD, speaking at the Seventh Session of the Committee on Manufactures, noted that the socialist countries had provided markets for the export of manufactures and semi-manufactures to many developing countries, thereby contributing to their industrialisation. He expressed confidence that there was a stable potential for expanding relations in this area, which called for further study and development by new methods. He believed that this must become part of a new approach to the trade in manufactures and semi-manufactures.<sup>48</sup>

However, the position of the socialist world led by the USSR on the developing countries' exports of manufactures and semi-manufactures, tariff reductions and non-reciprocity appears complex. The 1976 joint statement offers more long-term agreements "without reciprocity in respect of preferential measures but based on normal and equitable terms and without discrimination".<sup>49</sup> Indeed by the mid-1970s, several Centrally Planned Economies (CPEs) had introduced

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48. Cited in Ibid.

49. Foreign Trade, 9, 1976, p. 11.

generalized system of preferences (GSP) schemes. The USSR had abolished customs duties on the developing countries goods in 1965.<sup>50</sup> Bulgaria reduced duties on some developing countries' goods by 30 per cent in 1972, further reduced all such duties by 50 per cent in 1976/77 and abolished them in 1978.<sup>51</sup> Czechoslovakia began the same process in 1972 by 50 per cent reduction and abolition of duties particularly for the poorest developing countries during 1978.<sup>52</sup> By 1979 Hungary had instituted preferential customs tariffs for eighty-four developing countries, covering about six hundred products of which one hundred were totally exempt and the remainder subject to reductions of between 50 per cent and 90 per cent.<sup>53</sup> The concessions apply automatically to those developing countries in contractual obligations with GATT, and the thirty poorest developing countries are totally exempt.

The problem with such concessions is that by themselves they are virtually worthless. Except in

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50. Foreign Trade, 7, 1979, p. 38.

51. C.W. Lawson, "Soviet Union : The Reluctant participants" in Helge Ole Bergesan, Hans Henrick Holm and Robert D. Mckinlay eds., The Recalcitrant Rich , A Comparative Analysis of the Northern Responses to the Demands for a New International Economic Order, London, Frances Pinter, 1982, p. 174.

52. Ibid.

53. Ibid.

Hungary there is no freedom of choice by the domestic user of the product and hence a lower tariff need have no effect on the volume of imports.<sup>54</sup> Nevertheless CPEs have tried to use concessions as bargaining counters to obtain Most-Favoured Nation (MFN) status with the developing countries. In effect they have interpreted the "normal and equitable terms and without discrimination" to mean actual or effective MFN treatment. Only in this way can we reconcile the statements made to UNCTAD IV and Bogomolov's authoritative claim that "the socialist countries... cannot accept... the demand that (they) should accord to the Third World countries unilateral advantages on the non-reciprocal principle".<sup>55</sup>

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54. Naray argues that save for Hungary, MFN treatment is not applicable to CPEs because of the state monopoly of foreign trade and the ineffectiveness of tariff concessions. See P. Naray, A legnagyonb Kedves-Menyes Elbanas Elenek Alkalmazasa a Kelet Nyngati Keveskedeben, Kulgazdasag, 20, October 1977.

55. Bogomolov, Zubor and Medvedov confirms this interpretation when they state that "MFN treatment is an essential condition for normal trade, political and economic relations between countries rather than a special privilege". They report that MFN clauses, with the usual exemptions in favour of neighbouring countries, Customs Unions and developing countries, had been included in over eighty of the ninety-one inter-governmental agreements signed by 1974. See O. Bogomolov, "The CMEA countries in the Chainging International Climate" in Z. Fallenbuch and C. Mcmillan, eds., Partners in East-West Economic Relations : The Determinants of Choice, Elmsford New York, Pergamon, 1980, p.16, and G. Zubov and K. Medvedov, "Principal Trends in the Soviet Union's Trade and Treaty Relations", Foreign Trade, 4, 1976, p. 23.



If there has been a change in attitude, and there is some circumstantial evidence to suggest this, then the most likely reason is the feeling that CPEs are still quite heavily discriminated against in international trade. The joint statement to UNCTAD V is more insistent on this issue than was the joint response to UNCTAD IV. Reporting on the outcome of the conference the Soviet chief delegate, a deputy minister of foreign trade, wrote

that while the socialist countries supported those propositions in the Arusha Programme which... (were) just... and were truly conducive to equal and mutually beneficial international cooperation in economics and commerce... But, first of all, there have to be measures to remove discriminations and any artificial barriers in world trade, and to eliminate all inequality, coercion and exploitation in international economic relations.<sup>56</sup>

While the CPEs notably the Soviet Union supported the resolution on protectionism, they simultaneously singled it out for particular criticism because it "is one-sided, protecting only the interests of the developing countries. The socialist countries believe that inter-

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56. A. Manzhulo and G. Krasnov, "International Forum on Trade and Economic Problems : Results of the Fifth UNCTAD Session", The Foreign Trade 9, 1979, p. 21.

national measures against protectionist tendencies can be effective only if they are not confined to the interests of one group of countries."<sup>57</sup>

This comment reflects a general and long-standing desire on the part of the CPEs to widen UNCTAD discussions to include East-West trade, and particularly the issue of discrimination. For although several CPEs belong to GATT, the group as a whole has no obvious arena where it can negotiate on this question. In the face of Western opposition, since the mid-1950s they have been advocating the creation of a World Trade Organization where political and economic issues would not be formally separated.<sup>58</sup>

UNCTAD and GATT membership are clearly inferior substitute which explains why the Soviet Foreign Trade Minister, N.S. Palolichov, suggested to UNCTAD IV that the organization itself should extend its terms of reference and evolve into a World Trade Organization.<sup>59</sup>

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57. Ibid., p. 22.

58. C.W. Lawson, n.51, p. 175.

59. He actually said : "We... do not opt out of a possibility of transforming UNCTAD into a World Trade Organization, with its terms of reference covering also GATT problems". See N.S. Palolichov, Statement of the USSR delegation to the Fourth UNCTAD Session, Foreign Trade, 7, 1976, pp. 2-9.

Lack of progress in this direction can be attributed as much to the developing countries' fears that the focus of discussion will move from their problems as to western opposition.

Thus, as far as market access is concerned, the non-aligned and other developing countries have fought a rearguard battle to maintain the concessions they obtained in the early 1970s, when the General System of Preferences (GSP) was introduced. The multilateral trade negotiations (the Tokyo round) were dominated by the interests of the Western countries notably the US. The Third World countries obtained much smaller tariff cuts in the products of special concern to them than the average reductions. In addition, 'many industrialized countries have either placed (such products) on the exceptions list or have not yet offered any tariff reduction'.<sup>60</sup> On the positive side it should be mentioned that the GSP has been extended for an uncertain period of time and that the Western countries have been encouraged to improve the conditions of it. Practical results, however, still depends on the good-will, individually

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60. UN Assessment, n. 27, p. 62.

or collectively, of the industrialized countries. So in terms of tariff regulations the developing countries have hardly improved their relative position in the world trade system. In addition, there is good reason to believe that the new, creeping protectionism in the West, in the form of Orderly Market Sharing arrangements, has dealt a severe blow to the developing countries export possibilities.<sup>61</sup>

## 2. INTERNATIONAL FINANCE

While the non-aligned movement's main diplomatic efforts in the 1970s were aimed at stabilising raw material markets, in the 1980s, with the failure of those efforts forcing many developing countries to live in debt, the movement's attention turned to international financial problems. "Throughout the last ten years," Fidel Castro stated in his report to the Seventh non-aligned Summit, "the economies of the Third World countries have been particularly hard hit by the disintegration of the system of fixed exchange rates, the appearance of enormous deficits in the balance of payments in their current account, galloping inflation

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61. The South, October 1980, pp. 18-20.

and shortages of financial resources that can be used under acceptable conditions — with this phenomenon exacerbated by an excessive increase in interest rates and the resulting unprecedented rise in their external debts."<sup>62</sup>

In this context, discussing the functioning of world monetary system, seems appropriate.

The Brettonwoods system comprises two financial institutions — the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD). These two institutions came into being as a result of the Brettonwoods Conference held in 1944. The task assigned to the IMF was to ease the problems of balance of payment deficits; to facilitate payments adjustment and exchange rate stability and more generally to ensure international monetary cooperation and expansion of trade.<sup>63</sup> The function of the World Bank was to provide project oriented finance so as to promote economic development of the member states. At a time when the

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62. Fidel Castro, n. 14, p. 77.

63. David H. Blake and Robert S. Walters, The Politics of Global Economic Relations, New Jersey, Prentice Hall, 1978, p.47.

Brettonwoods system was devised, most of the countries of the developing world were still colonies. Their interests and problems were not taken into account. When these colonies appeared as independent states on the world scene, the Brettonwoods system had already assumed the role of monetary and financial authority of the world economy and the US dollar as the international currency. Even in the official name of the institution which has come to be called the "World Bank" (i.e., IBRD) the word 'reconstruction' precedes development which demonstrates that the primary function of the World Bank was to assist in the reconstruction of the war-ravaged economies rather than the development of the developing countries. After national independence the developing nations became more interested in the development of their economies. To meet the financial requirements of development these countries needed financial assistance in the form of aid and loans from the IMF and the IBRD. These institutions however, could not cope with the rising financial demands of the developing countries. Instead of providing financial resources, these institutions suggested their own prescriptions. For example, in the mid sixties, India's economic situation was complicated by crises like drought (1964-65) and military

confrontation with Pakistan (1965). These happenings created serious imbalance in the payment position. To combat such a situation, India sought liberal financial assistance from the IMF. The Monetary Fund instead of coming to the rescue of India, suggested draconian remedies such as devaluation and shrinkage of expenditure. The devaluation of the Indian rupee in June 1966 created civil unrest and environment of strong feeling that the country's freedom of action in the international economy was at peril. The IMF suggestion was like

telling a hungry and unemployed man that if he waits for a couple of years he would be able to get a job and buy food. His problem is that if he does not get food within twelve hours, he will collapse.<sup>64</sup>

The IMF prescriptions proved worse than the disease. India in an attempt to solve its balance of payment problem concentrated on the development strategy of self-reliance which was accorded top priority in the aborted Fourth Five Year Plan (1966-71) whose Draft outline contained that :

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64. T.V. Parasuram, "Letter From America: US Attitude to IMF loan to India," The Indian Express, New Delhi, 15 December 1981.

The Third Plan had set self-reliance as a goal to be achieved by 1975-76. The experience during the recent emergency when there was a sudden suspension of certain non-commercial foreign credits and the devaluation of rupee has underlined the overriding importance of attaining this goal as early as possible.<sup>65</sup>

At one place the Draft outline contained an emotional phrase "freedom from external credits". This single instance clearly indicated that the IMF was not conceived to deal with the specific financial problems of the developing countries. Instead its mechanisms were designed to cope with a typical problem of industrialised nations to enable them to work their way out of payment deficits and thus avoid devaluations. In fact, there was no need to envisage mechanisms for medium and long term financing for industrialised countries as these had easy access to banks, the international capital markets and if necessary inter-state agreements were available to them for meeting financial needs of that nature.<sup>66</sup>

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65. See K.B. Lall, Struggle For Change : International Economic Relations, New Delhi, Allied Publishers, 1983, p. 11.

66. For details, see Ismail-Sabri Abdalla "The Inadequency and Loss of Legitimacy of the IMF", Development Dialogue, No. 2, 1980, pp. 38-39. Also see L.K. Jha, North-South Debate, New Delhi, Chanakya Publications, 1982, pp.9-10.



The real problem confronting the Third World countries was that of balance of payments deficits. This problem was continuing from year to year without any spontaneous adjustment mechanism. To combat this situation, the developing member countries could draw at will the first tranche equivalent to their own contribution to the Fund. The subsequent tranche of 25 per cent of the quota could be borrowed from the Fund on the condition that borrowing would make reasonable efforts to overcome the problem of deficits in the balance of payments. The next tranche of 25 per cent was subject to the conditions that the Fund could investigate the circumstances in which borrowing became necessary and that the Fund could impose conditions to ensure that health was restored to the balance of payments of the borrowing country. For Example in 1982, when India received 5 billion Special Drawing Rights (SDR) loan (equivalent to 5.75 billion US dollars or Rs. 5234 crores) under the Extended Credit Facility, many conditions were imposed. Broadly these were : (i) a set of macro-economic performance criteria; (ii) a stimulation against borrowing from international market sources on short and medium term basis to obtain exchange support; (iii) an injunction against (a) multiple currency practices, (b) fresh bilateral agreements with members, (c) fresh import restrictions and (d) no intensification of restriction on

payments and transfer for current international trade.<sup>67</sup> These same conditions are also imposed on other developing countries by the IMF when they seek loan. From the IMF viewpoint these conditions were non-discriminatory but necessary to ensure that borrowing countries could repay the loan and remain in good shape thereafter. These conditions were designed to ensure the best use of loan and to thwart any attempt at misusing thereof. But from the viewpoint of borrowing countries, the conditions were harsh and impinged upon their national sovereignty and as such developing member nations were against such impositions.<sup>68</sup>

Apart from the conditionalities, the IMF is attacked on other grounds too. First, the IMF is accused of adopting double standards. Some countries because of their geopolitical situation and international weight or political orientation receive lenient treatment than others whose development strategies do not gain sympathy of the IMF and are subjected to harsh conditions, secondly, the IMF bases its prescriptions on market ideology, giving preponderant role to commercial lending and borrowing. Such

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67. P.R. Brahmananda, The IMF Loan and India's Economic Future, Bombay, Himalaya Publishing House, 1982, p.5.

68. See, Economic Declaration in New Delhi Summit Documents, n.6, pp. 76-77.

an ideology envisages reduced public expenditure particularly on welfare services, reduced real wages, liberalised price control, encouragement of private foreign investment, substitution of devaluation for tariffs and direct controls over trade.<sup>69</sup> These traits run counter to the developing countries' objective of self-reliance. For this reason the then President Julius Nyerere of Tanzania refused to accept IMF conditions in 1980 and said :

Tanzania is not prepared to devalue its currency just because this is a traditional free market solutions to everything regardless of the merits of our position. It is not prepared to surrender its right to restrict imports by measures designed to ensure that we import quinine rather cars for the elite. We will strive to provide primary education for every child, basic medicines and some clean drinking water for all our people.<sup>70</sup>

The IMF free market ideology could aggravate the debt burden of the developing countries. Another alternative was, however, commercial borrowing. Had India sought commercial borrowing it would have had to pay fourteen per cent interest instead of the ten per cent of IMF

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69. See "The Arusha Initiative : A Call For a United Nations Conference on International Money and Finance", Development Dialogue, No. 2, 1980, p. 14.

70. Swaminathan S. Aiyer, "IMF Conditions Win Elections-1", The Indian Express, New Delhi, 26 November 1983.

loans. The additional four per cent interest on 5 billion SDR loan could have a cruel joke with the people of India. How commercial borrowing can benefit the developing world if the money ends up in the pockets of the Americans and other bankers of the West? One must wonder whether the IMF advice of market ideology is not self-serving. Thirdly, the developing countries consider the IMF a political oriented institution. Its orientation is fundamentally incompatible with their domestic structural change and endogenous development and its prescriptions favour the traditional centres of power. The Fund's policies, conceived to achieve 'stabilisation' have in fact contributed to destabilisation and to the limitation of democratic processes. It is said that some countries encounter major political problems in the course of trying to reach agreement with the IMF. Between March 1977 when Peru began negotiations with the IMF and September 1978 when it finally reached agreement with IMF, three finance ministers and the Head of the Central Bank resigned. In Jamaica, three foreign ministers lost their jobs during the course of negotiations and the government fell after failing to reach an agreement with the IMF.<sup>71</sup>

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71. For details see, The Indian Express, New Delhi, 26 October 1982.

Apart from these arguments, apprehensions have also been expressed about the character and role of the IMF. First, the adjective 'international' with the name of the Fund is misleading. It does not have the same meaning as when applied, for example, to the United Nations with which the Fund has tenuous relationship. The socialist bloc, notably the USSR and some of its East European allies<sup>72</sup> are not members of the IMF. Not that this bloc is not interested in the participation in a truly universal monetary institution, its main grouse has been that the IMF rules and regulations are in tune with the capitalist world's need and fail to accommodate the needs of the socialist system. The IMF, therefore, does not command universal status.

Secondly, oligarchic power structure of the IMF is also called into question. No country wants its monetary policy to be shaped by the shareholders of the Bank in the IMF, where voting power is derived from quotas, the five major shareholders (US, UK, FRG, France and Japan)

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72. China has recently become a member of the IMF. Romania, Vietnam and Kampuchea are members, Hungary and Poland are waiting on the threshold to become members. See for details, P.R. Brahmananda, n. 67, p.2. Even the USSR wants to become a member now, The Hindustan Times, New Delhi, 2 September 1990.

command 40.9 per cent of the votes and can directly or indirectly influence the IMF policies. These largest quota holders deciding the financial issues within the framework of the IMF, hold their formal and informal consultations outside the IMF, thus bypassing the democratic procedure of decision making. For them, the IMF is irrelevant and merely a rubber stamp<sup>73</sup> and the Third World countries are only the pawns on the chess board of international monetary management.

Thirdly, the IMF has been criticised because of its new role, described as "financial sheriff" of the transnational banks in the Third World.<sup>74</sup> Being an international financial institution, it can take the liberty of inspecting all the aspects of borrower country's economy. The governments which are economically weak, socially conservative and politically docile allow for such a scrutiny in the hope to obtain from the IMF, a certificate of good behaviour.

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73. It is noteworthy that the US while retaining the monopoly of the presidency of the World Bank, has conceded the managing directorship of the Fund to the West European.

74. Ismail-Sabri Abdalla, n.66, pp. 38-39. If the IMF refuses to give loan to a country, most of the other sources of credit like the World Bank, regional development organizations and private sources of credit, refuse to give loan to that country. See for details, David H. Blake and Robert S. Waters, n.63.

Accordingly, the non-aligned movement demands a doubling of the IMF quotas, additional sums under SDR over and above those proportions determined by the Fund quotas, removal of the restrictions on access to IMF credit funds, greater participation in running the fund, account of the special economic and social conditions of the debtor countries, and a ban on political discrimination against borrowers.<sup>75</sup> The Arusha Programme endorsed this demand and called for a new Marshall Plan for the Third World, the establishment of an intergovernmental high-level group of experts within UNCTAD to study the "evolution" of the international monetary system and the holding of a conference on international monetary reform.<sup>76</sup>

The West particularly the US opposes greater compensatory financing, reform of the IMF and the World Bank, and the very idea of a new monetary conference.<sup>77</sup>

The US sees these demands as an attempt to turn the IMF into another development agency, to weaken its autonomy, and to transfer power to UNCTAD. The US insists

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75. I.D. Ivanov, "The Non-Aligned Movement and Restructuring of International Economic Relations", in I.I. Kovalenko and R.A. Tuzmukhamedov, ed., The Non-Aligned Movement, Moscow, Progress Publishers, 1988, p. 127.

76. UNCTAD, "Arusha Programme", pp. 50-54.

77. I.D. Ivanov, n.75, p. 142.

that the IMF maintain its role as the world's central monetary institution and that monetary issues be discussed and negotiated only within the IMF framework.

While on the contrary, the USSR supports the demands of the Third World countries as proposed above.

The result of the US refusal to concede these demands is being that the balance of payments deficits and indebtedness of the developing countries are, and the least developed of them are turning into "unhooked wagons" of development. It is high time that the developed nations particularly the US should agree to the demands of the developing countries and help resolve the financial problems confronting the international community. It is only through the cooperative endeavour of the developed Western nations and the developing countries that a lasting solution to global problems (like inflation, recession, liquidity, finance) is possible.

However, in the wake of the Eight General Review of Quotas, the net flows of IMF credits to non-oil exporting developing countries increased threefold in 1980 over 1979 and again in 1981 over 1980, and the associated conditionality reflected greater flexibility and greater willingness to finance deficits.<sup>78</sup> The World Bank has also initiated a Programme of Structural Adjustment Lending (SLA).

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78. See UNCTAD Doc., TD/272, June 1983, p. 23.



### 3. AID

Another issue related to international finance is that of foreign aid. It is a vital component of international finance. One of the objectives of the NIEO is to enable the developing countries obtain a large share of international finance in the form of development aid as these countries have not been able to raise much money. This is why aid is a key issue in the struggle for a NIEO.

The concept of aid often embraces forms of resources transfer (such as government loans, contributions to international organizations, export credits, as well as private investment and guaranteed credits)<sup>79</sup> which strictly speaking, do not constitute aid as they are offered on commercial terms and must be returned to the donor with interest. In other words, each inflow of capital is offset by its outflow. What is more, while in the beginning aid was used as the main weapon of imperialist foreign policy, over the last thirty years it has become an important instrument of helping the imperialists gain control over the entire economic development of the newly free countries.

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79. Lev Komlev, n.47, p.93. For a useful study, see Sushila Agrawal, Third World and New International Order, Jaipur, Aalekh, 1985, pp. 80-102.

At first glance the increase of the West's "aid" to developing countries is quite impressive. This "aid" grew between 1972 and 1978 alone from 19,600 million to 71,400 million a year. Meanwhile the share of the annual sums which can really be regarded as aid — soft long-term loans, subsidies and gifts — dropped in the same period from 48 to 33 per cent (see table 4.3). The increase of the inflow of commercial resources, mostly private investments, to developing countries is by no means prompted by the monopolies' philanthropic sentiments.

Table - 4.3

Inflow of financial resources of OECD countries to the developing world ( ,000 million dollars)

Kind of resources	1970/71	1972	1973	1974	1975	1976	1977	1978
"Official aid for development"	8.0	9.4	11.4	14.9	19.3	18.6	19.2	23.6
Commercial resources	7.4	10.2	15.4	17.5	27.2	29.1	36.2	47.8

Source : "Development Cooperation, Efforts and Policies of the Members of the Development Assistance", 1978, OECD, 1978, p.105.

The real value of the seemingly growing aid is reduced by inflation. According to the Soviet Magazine *Dengi i Kredit* (Money and Credit) the volume of the funds provided by the West calculated in constant prices, which can be truly counted as aid, did not actually change from 1970 to 1977. Funds which are actually used are reduced by at least one thousand million dollars annually due to the payment of interest on loans.<sup>80</sup>

Besides its economic objectives the "aid" fulfils a political function being a sort of payment for "good behaviour", a means of preventing further deepening of the national liberation revolution and the growing of anti-imperialist sentiments into anti-capitalist.

The US in particular has used aid to attempt to influence policy matters and political environment in the recipient country in a variety of ways. The US has given emergency support during economic crisis as a way of supporting new regimes (Dominican Republic 1962, Brazil 1964), bolstered old regimes faced with financial crisis (Iran 1961, Colombo 1962), given relief to politically threatening unemployment situations (Peru

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80. As cited in *Ibid.*, p. 94.

1961, Honduras 1963) and backed candidates in elections (Chile 1964, 1971). Aid has been used to promote such foreign policies as the granting of base rights and support in conflicts with Soviet Union.<sup>81</sup>

In pursuing this kind of diplomacy the imperialists strive to spend as little as possible. Whereas the West's state "aid" to developing countries amounted to 0.54 per cent of the gross domestic product of the advanced capitalist countries in 1961, in 1978 it dropped to 0.32 per cent.<sup>82</sup> In particular, the US aid contribution to the ODA have dropped from 0.58 per cent of GNP in 1965 to 0.24 per cent in 1985.<sup>83</sup> The terms of credits worsened at the same time. The argument often advanced by the US for its declining share in ODA had been its adverse balances, global recession, falling per capita income and its frustration with developing countries' expenditure pattern.<sup>84</sup> But these factors do not come in the way where the US political and strategic interests are involved. For example, the largest recipient of US aid in Latin America

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81. See for details, Joan M. Nelson, Aid, Influence and Foreign Policy, New York, Macmillan, 1968, pp. 69-120.

82. TD/CONF 4/2 TD/229, p. 354.

83. World Development Report 1986, Table 20, pp.218-219.

84. See for details, P.T. Bauer and Basil Yamey, "The Case against Foreign Aid", The Eastern Economist, 17 May 1982, p. 1068.

is EL Salvador with 226.221 million dollars. Thanks to North Korea, South Korea gets 211.900 million dollars. Greece gets 282.568 million and Turkey 820.140 million.<sup>85</sup>

An analysis of the causes of establishing the state-monopoly machinery designed to direct imperialism's foreign economic expansion in the Third World indicates that foreign investments are primarily measures of economic "self-defence" for industrialized capitalist countries. They resort to them to gain direct access to the more important sources of raw materials and larger markets, to overcome import difficulties and display to advantage their ability to organize production in other countries, to safeguard themselves from inevitable economic recessions both at home and abroad, or simply to allow excess capital to flow abroad to make maximum profit.<sup>86</sup>

During the 1980s, the volume of official aid for development from the West fell to 0.33 per cent of GNP in 1977 and 0.39 per cent in 1982, as against 0.51 per cent in 1960, while the balance of payments deficit on current accounts alone, not to mention development needs

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85. The Indian Express, New Delhi, 9 March 1982.

86. Lev Komlev, n.47, p. 95.

exceeded \$ 100 billion annually. The share of this official aid in the total volume of funds transferred to the developing countries fell to 28 per cent in the 1970s, while the share of private investment, which means an outflow of profits and interests on private bank loans often made at 18-20 per cent, rose to 14 per cent and approximately 50 per cent. Even for official development aid, which is regarded in the West as "non-commercial" and "advantageous", interest went up from 2.8-6.9 per cent to 4.4--14 per cent (depending on the category of the borrower) in 1970 - 1981, while the term of loans was reduced from 13-30 years to 11-30 years, and the grace period from 3-9 years to 4-7 years.<sup>87</sup>

Under these conditions, the NIEO Programme demands that the industrial states increase the level of assistance given to the Third World and to improve the conditions and terms of this assistance. Central to this process are the official Development Assistance (ODA) targets established by the UN General Assembly in 1970. In conformity with these targets, the industrial states are to earmark 0.7 per cent of their GNP for development.<sup>88</sup>

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87. I.D. Ivanov, n. 75, pp. 125-126.

88. These states are those which are included in the Joint Development Committee of the International Monetary Fund and the International Bank for Reconstruction and Development (World Bank).

The US even opposes the fixing of such targets, asserting that setting targets is not only unlikely to achieve their purpose, but may, in fact, be counterproductive. Until recently, the US has placed far greater emphasis on capital derived from other sources, especially from the International Development Association (IDA) of the World Bank group and from private investment. Today, Congressional support for replenishing IDA funds is far from certain, and in any event the Reagan administration had planned to contribute only \$ 550 million to the IDA in 1982, which, to the consternation of the IDA, is only half of the amount stipulated for the US by IDA rules. Thus, the issue of target implementation remains an unresolved item on the international agenda.<sup>89</sup>

Despite their lack of progress towards the creation of a world trade organisation the Soviet bloc has continued to link questions of East-West trade and

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89. For a useful discussion of targets, see World Bank, Global Targets for Development Cooperation, 1977. Also, the definition of ODA was narrowed as regards the donor's contributions in order to maximize actual resource transfers. See "Report of the Committee of the Whole Established Under General Assembly Resolution 32/74" (UN General Assembly 1980).

security with their ability to satisfy the developing countries' demands. In addition they have been careful to distinguish their position on aid from that of the West.

The Soviet bloc clearly and unequivocally reject any responsibility for the developing countries' backwardness and so do not recognise any moral claims for aid as recompense. The joint statement to UNCTAD IV declares that

it(is) unfounded to appeal to (us) to share the responsibility and material costs of eliminating the consequences of colonialism, neo-colonialism and the trade and monetary crisis of the capitalist economy.<sup>90</sup>

It follows that

There can be no grounds whatsoever for presenting to the Soviet Union and other socialist countries the demands which the developing nations present to the developed capitalist states, including the demand for a compulsory transfer of a fixed share of the gross national product to the developing nations by way of economic assistance.<sup>91</sup>

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90. Joint Statement by the Socialist Countries at the Fourth Session of the United Nations Conference on Trade and Development, n.23, p. 14.
91. On the Restructuring of International Economic Relations. Statement by the Soviet government to K.Waldheim, UN Secretary-General, 4 October 1976, The Foreign Trade, 12, 1976, pp.2-5.



This stand has been the cause of some friction between centrally planned economies and the developing countries. Reporting on UNCTAD V, Manzhulo rather tartly noted that "the Group of 77 again included in its draft several elements, being fully aware of the fact that they are unacceptable to the socialist countries, beginning with the demand that 0.7 per cent of their gross national product should be allotted annually as aid to the developing countries."<sup>92</sup> The response of the Group of 77 is neatly encapsulated in the statement of their chairman, Mahmoud Mesteri, who has been reported as saying that "the OPEC countries were not responsible for colonialism and they are giving us a great deal of aid. And so must the Soviets."<sup>93</sup>

The past level of CPE aid is difficult to assess because of data unreliability and the fact that less developed CPEs receive substantial grants and loans, whose indeterminate size prevents an accurate comparison with OPEC or Western donors. For non-Communist developing countries it is generally concluded that

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92. A. Manzhulo and G. Krasnov, n. 56, p. 22.

93. The Guardian, 22 October 1979.

CPE assistance is substantially less in volume, has a lower grant component, and is virtually all tied on a bilateral basis. Holzman suggests that for the Soviet Union the net aid outflow, (deliveries minus repayments), as a proportion of gross national product peaked in 1964 at less than 0.1 per cent and by the early 1970s had fallen to under 0.05 per cent.<sup>94</sup> More recently this flow has increased, and it has been estimated that in 1978 Soviet aid commitments at \$ 3.7 billion were beginning to approach American levels.<sup>95</sup> In both their aid and trade arrangements CMEA members tend to concentrate on large or geographically close developing countries, preferring to trade with those where some degree of socialist transformation, or at least non-capitalist orientation is present. The decision to trade is normally economic, although the

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94. F.D.Holzman, International Trade Under Communism: Politics and Economics, London, Macmillan, 1976, p. 195.

95. O. Cooper and C. Fogarty, "Soviet Economic and Military Aid to the Less Developed Countries 1954-78", in US Congress Joint Economic Committee: Soviet Economy in a Time of Change, Vol.2, Washington, GPO, 1979. Actual deliveries were lower at \$ 0.4 billion. Given the time lag in shipments this is not surprising. In the same year arms agreements at \$ 1.8 billion were well below the trend. A substantial part of aid-generated deficits are believed to be covered by hard-currency arms sales.

choice of partner may be political. Aid is a much more clearly political decision. Moreover it is a political decision taken at best against domestic apathy, for as Adler-Karlson has noted,

there is no reason to believe that foreign aid is more genuinely popular among the Eastern masses than among the Western ones. Especially after the anti-socialist political changes in Indonesia and Ghana, the Soviet foreign aid programme is said to have been exposed to a great amount of domestic criticism.<sup>96</sup>

The result of the numerous talks on the 0.7 per cent target of GNP of the developed countries is hopelessly disappointing. The US and some other European countries, notably U.K., FRG. and Japan are still far from fulfilling the target, the Eastern bloc led by the Soviet Union while accepting the target, declines any responsibility for its implementation. Most donors remain reluctant to accept long-term commitments in their aid policy. In the words of the UN Assessment "no major advance has been made in attaining predictability and assurance of concessional finance", but

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96. Cited in C.W. Lawson, n. 51, p. 177.

there has been a certain improvement in the terms of ODA flows.<sup>97</sup>

#### 4. INTERNATIONAL DEBT

Closely connected with aid is the question of international debt. This probably is the most pressing problem on the world economic horizon. The NIEO proposals also covered the mitigation of the external debt problem of the developing countries in addition to the assurance of flows of concessional aid.<sup>98</sup> In recent times the external debt of developing countries has assumed alarming proportions. The volume of external debt of the non-oil producers among the developing countries has increased from \$ 97 billion in 1973 to \$ 425 billion in 1981<sup>99</sup> and again to \$ 750 billion.<sup>100</sup>

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97. UN Assessment, n.27, p. 38. In 1979 over three quarters of ODA commitments by DAC countries were for outright grants, Development Cooperation 1980 Review, Paris, OECD, 1980, p. 103. Hereafter referred to as OECD Review.
98. Alfred Maizels, "Reflections on the Mutual-Interest Thesis and the Impasse in North-South Negotiations," UNCTAD Review (Trade and Developments), No.2, Autumn 1980, p.14.
99. Brojendra Nath Banerjee, Cancun to New Delhi: South-South Cooperation, New Delhi, 1983, p. 14.
100. Minos Zombanakis, "The International Debt Threat," The Indian Express, New Delhi, 28 May 1983.

By the end of 1985, it was more than a trillion (1000 billion). The phenomenal rise in the current debt volume has been due to global recession, oil shocks, high interest rates and structural imbalances in developing economies. Not only the size of the current debt has been rising, even the outstanding debts had more than trebled from \$ 54.6 billion in 1969 to \$ 172 billion in 1976.<sup>101</sup> Along with the rising volume of external debt, the debt service payments i.e., the payment of principal and interest, increased rapidly from \$ 7.6 billion in 1969 to \$ 25.6 billion in 1976.<sup>102</sup> To meet the debt service payments, the developing countries managed new loans, with the result that the burden of debt assumed alarming proportions. By the seventies, several large non-oil producing countries' debt ran to such an extent, that debt service payments were more than 20 per cent of their export income. For example, over a period 1969-75, debt service payments averaged 27 per cent of export earnings for Egypt, 21 per cent for India, 20 per cent for Pakistan and Sri Lanka.

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101. Paul Harrison, Inside the Third World : The Anatomy of poverty, Middlesex, 1979, p. 355.

102. Ibid.

Latin America was becoming a continent of debtors. Uruguay's Service payments amounted to 29 per cent of exports, Mexico's 23 per cent, Peru's 21 per cent and Argentina's 20 per cent.<sup>103</sup>

For the major borrowers, debt-servicing payments exceeded new borrowing by an estimated \$ 21 billion in 1983. Some of the countries in this category are India, Algeria, Argentina, Brazil, Chile, Egypt, Indonesia, Israel, Republic of Korea, Mexico, Turkey, Venezuela and Yugoslavia. Each of these countries owed at least 13.5 billion dollars to external creditors by the end of 1982. For all developing countries, excess of debt-service payments over loan disbursements reached \$ 11 billion.<sup>104</sup>

The obvious consequence of rising debt and debt servicing has been that private credit started drying up. Exporters were unwilling to supply goods on credit; export insurance agencies were hesitant to insure exports to them; banks refused lending and even international

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103. Ibid.

104. Santosh Taneja, India And the New International Economic Order, Amritsar, Guru Nanak Dev University Press, 1988, p. 141.

development banks were wary of lending any more. At such a point, the debt crisis reached deep into the political and social fibre of the victim country, cutting living standards of the poor, increasing inequality and strengthening the influence of right-wing groups.<sup>105</sup>

This phenomenon should not be viewed only in the context of developing countries. The rising debt problem has posed a danger to the existing international financial system and is now threatening the world stability and affecting international economic relations particularly the structural trends of international trade.

Understandly, the NIEO Programme makes concrete demands with regard to liabilities on the debts. It was proposed, first, to reclass as subsidies and write off the debts on state loans of 29 of the economically least developed countries; second, to grant 45 countries which have suffered the most from the last economic crisis a prolonged deferment for repayment of their debt and free them from paying interest on the loans; third, to defer the repayment of commercial debts by at least 25 years.

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105. Paul Harrison, n.101, pp. 355-356. Also See A.K.N. Ahmed, "Debt Growth and Trade," Commerce, Vol. 146, No. 3759, 18 June 1983, pp. 1007-1022.

The developed Western countries' approach to the problem of debt has been astonishing. While the significant sections in the US, Western Europe, Japan and Australia show sympathy with the problem of the Third World, the Western developed countries rejected a general approach to external debt relief at CIEC and UNCTAD V. These countries notably the US favour an individual approach and the strengthening of existing financial system. Furthermore, the US continues to adhere to adhoc rescheduling or rescue packages.<sup>106</sup> The developed Western countries maintain that the application of general approach of rescheduling of debt would give the impression of a general loss of credit solvency. This could lead to a reduction in the volume of official resources, discourage the private sector and likely to be viewed within developed countries as the outcome of bad or corrupt management of resources.<sup>107</sup> It is also argued that cancellation

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106. These packages combine bank debt rescheduling, new bank loans, bridge financing from commercial banks and the Bank for International Settlements (BIS) and fresh money from official creditors, the IMF and the World Bank. Each of the elements of these schemes is contingent on all the others. See for details, Christine Bogdanowicz Bindert, "Debt; Beyond the Quick Fix," Third World Quarterly, Vol. 5, No. 4, October 1983, pp. 828-838.

107. Ervin Laszlo, et.al. eds., The Obstacles to the New International Economic Order, New York, Pergamon Press, 1980, p. 62.



of debt would mean an indirect transfer of resources and the developed Western nations, particularly the US are not in the mood to do so.

The developing countries perceive the problem in a different way. These countries reject the policy of ad-hocism and hesitant concessions. Their argument is that structural elements like insufficient international resources, protectionism, high interest rates on commercial lending and political constraints in debt negotiations have aggravated the problem of external debt.

In view of the perceptual distance between the developed West and the developing countries, the question that confronts the international community is to explore an optimum solution that could reconcile the conflicting viewpoints.

As a first step, the less developed countries should be given a chance to increase their foreign earnings as their debt problems cannot be resolved without strengthening the world trade. The industrialized nations must acknowledge the link between trade and debt not in communiques but in actual practice. Secondly, formulae linking the debt service payments of debtor countries

to their payment capacity should be considered.<sup>108</sup>

Thirdly, banks, official institutions and capital surplus countries should take initiatives to channel new capital into developing countries, finally, the creation of an agency which should swap developing countries' debt for its fully priced yet less expensive long-term bonds should also be given some thought.<sup>109</sup>

A speedy solution to the international debt problem is necessary for political and economic well-being of both the developed and the developing countries. The less developed countries account for about 25 per cent of OECD and 40 per cent of US exports, 17 per cent of the latter going to Latin America alone. The recovery of industrial countries is just as much at stake as the survival of the less developed countries.<sup>110</sup>

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108. Christine Bogdanowicz-Bindert, n. 106, p.838. Also see Pakistan Gulf Economist, Editorial, "On Razor's Edge", Vol. 2, No. 39, 24 September 1983.

109. Ibid.

110. Ibid. Also see William H. Boliri and Jorge De Carito, "LDC Debt: Beyond Crisis Management," Foreign Affairs, Vol. 61, No. 5, Summer 1983, pp.1099-1112.

To solve debt crisis, the US Treasury Secretary James Baker suggested two pronged strategy<sup>111</sup> at the annual IMF-World Bank meet held in October 1985 in Seoul. The first aimed at the African debt crisis and the Second at Latin America. For African countries Baker proposed a joint World Bank-IMF lending pool totalling \$ 5 billion. The proposal suggested that \$ 2.7 billion worth of repayments due to the IMF Trust Fund should be channelled to countries in difficulty, and that the Fund and World Bank should cooperate in enforcing conditionalities on these countries. The second prong of the Baker strategy was designed for Latin America and five other countries which are heavily indebted to commercial banks. According to above proposal, the private banks were to contribute \$ 20 billion in new money over the next three years, while the World Bank and the Inter-American Development Bank will accelerate their disbursement and concentrate them in high conditionality programme lending to the designated countries for an additional amount of \$ 2 billions in the same period.

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111. Cheril Payer "The World Bank: A new role in the debt Crisis," Third World Quarterly, Vol.8, No.2, April 1986, pp. 671-673.

This debt crisis plan unveiled by Baker seems to be running into difficulties. The agreement by all the players — Western Government,<sup>112</sup> banks, debtor countries and multilateral agencies as regards how the plan should work is proving harder.<sup>113</sup> Secondly, Baker proposal might downgrade the role of the IMF for two reasons. The first is that the Fund itself is running out of money and the second that the Fund is identified with austerity Programmes that are no longer acceptable, nor even very effective in the few countries (such as Jamaica) where they are applied.

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112. The Western government's approach to debt problem is quite divergent. At the Special Session of the UN General Assembly which lasted for five days (from 28 May 1986 to 1 June 1986) the Canadian representative Mrs. Monique Vezina told the Assembly of her government readiness to grant moratorium on loans under ODA for an initial period of five years and extend it in five year segments until the year 2000. The Netherlands' government also expressed its willingness to cancel the debt for five years. France, however, was in favour, of case--by--case approach whereas other Western Countries were non-committal on this issue.
113. See for details, the South, January 1986, pp.85-86. Also See, L. Menckhoff and F.L. Sell Freiburg, "Indebtedness : Is a Second Debt Crisis Looming ?" Intereconomics, Vol.21, No. 1, January/February 1986, pp. 34-37.

The Soviet bloc's approach is similar to their approach to aid issue. They are opposed to debt cancellation although some members, for example Hungary, have indicated a willingness to discuss debt questions on a bilateral basis.<sup>114</sup>

The Western governments agreed after intense negotiations to improve retroactively the terms of ODA debt in favour of the poorer developing countries,<sup>115</sup> but this scheme is full of loopholes and open to widely differing interpretations. The large creditor countries maintain that they still have the right to decide unilaterally both the concrete terms of adjustment and the coverage of developing countries recipients.<sup>116</sup> According to a preliminary UNCTAD estimate, measures taken following this agreement have effected ODA debt of more than \$ 5 billion. However, in 1978 the aggregate debt of developing countries probably exceeded \$ 300 billion.<sup>117</sup> The latest World Bank estimates suggests

114. C.W.Lawson, n. 51, p. 175.

115. UNCTAD resolution 165 (S-IX) adopted in March 1978.

116. In addition the US delogation has even tried to obstruct data collection by the UNCTAD Secretariat on the implementation of the resolution.

117. UN Assessment n.27, p. 39. OECD has estimated that "these actions for all DAC countries cover over \$ 7 billion of ODA debt and reduce the annual debt service burden of the beneficiary countries by over \$ 100 million" See OECD Review, n.97, p. 31.

that the total debt of the Third World stands at \$ 1.3 trillion by the end of 1988.<sup>118</sup> The West has blocked any move towards institutional debt policy.

##### 5. MULTINATIONAL CORPORATIONS

Few developments have played a critical role in the growth of international trade and private foreign aid during the last three decades as the rise of multinational corporations<sup>119</sup> (MNCs). These business firms with large network of branches, are located in North America, Europe and Japan and operate their business activities in a manner to maximise global profit. In the process they create a host of economic, political and other problems in the Third World countries in which they conduct their business. They have created their economic empires in the developing world and it seems that sun will never set on the economic empires of these corporations though sun set on the British

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118. The Hindustan Times, New Delhi, 19 December 1988.

119. A Multinational Corporation has been officially defined in the Indian Parliament, as a company which has a branch in two or more countries. See India Lok Sabha Debates, Vol. 38, No. 38, 17 April, 1974, Col. 234.

Empire.<sup>120</sup> There are more than 20000 MNCs<sup>121</sup> in the world and Seven countries (England, US, France, West Germany, Japan, Canada and Italy) have 5500 firms. These MNCs are large in terms of both production and assets. Their immense economic power is indicated by the fact that some of them produce more than the gross national product of medium sized countries. To illustrate the point let us take few examples.

American Telegraph and Telephone produces more than do the entire economies of Greece, Israel, Norway and Venezuela; General Motors produces more than do the national economies of either New Zealand or Pakistan.<sup>122</sup> The Club of Rome Report (1976) on Reshaping the International Order points out that the annual turn-over of each of the ten largest transnationals is over \$ 3000 million — a figure higher than the GNP of some 80 sovereign states. That of all was put at 5,00,000 million dollars — 20 per cent of the GNP of all countries excluding the socialist bloc.<sup>123</sup> Such enormous

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120. Lester Brown, n.11, p. 216.

121. Dalip S. Swamy, Multinational Corporations and the World Economy, New Delhi, ALPS International Publishers, 1980, p. 88.

122. Ibid.

123. As Cited in Gamini Seneviratne, Economic Cooperation Among Developing Countries, New Dimensions in the Thrust For collective Self-reliance, UNCTAD Publication, United Nations, New York, 1980, p.14.

size confers economic and sometimes political power on the transnational corporations vis-a-vis the countries in which they operate. The economic power that flows from the oligopolistic positions they enjoy in the markets of host countries, enables these firms to manipulate prices and profits, to restrict entry of the potential competitors and to influence consumer tastes through advertising, product differentiation, new technologies and special skills. It is estimated that these corporations have more than 200 billion dollars worth of physical assets with over 80 per cent owned by the multinational corporations in four countries (US, England, Germany and France). The US based multinationals have employed more than 5 million non-Americans i.e., about 35 per cent of their total employment. If control on money and men is any indication of power, then corporations Presidents are expected to exercise more powers than the Heads of the governments in capitalist countries. Barnett and Muller points out that their power comes "not from the barrel of a gun, but from the control of the means of creating wealth on the world wide scale."<sup>124</sup> But this is a half truth because they

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124. As Cited in Dalip S. Swamy, n. 121, p. 88.



also command the barrel of guns of their parent states and those of NATO and SEATO.<sup>125</sup> The vehicles of their economic power are finance, technology and markets.

Given the above brief sketch about the size and economic importance of multinational corporations, a discussion of some of the arguments for and against their activities in the context of development aspirations of the developing countries is worthwhile.

Those who favour the transnational's activities in the developing world argue, that these firms through private foreign investment have helped to fill the gaps between domestically available capital and the foreign exchange requirements and the net export earnings. It is also argued that by taxing the MNCs, the LDC governments are better able to mobilise public financial resources for development activities. Apart from the financial help, the multinationals have been assisting the developing countries in providing them the needed management experience, entrepreneurial abilities and technical skills. Moreover, these firms can educate local managers about how to establish contacts with

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125. Ibid.

Overseas banks, locate alternative sources of supply, diversify market outlets, and in general became better acquainted with international marketing practices.<sup>126</sup>

Crowning the arguments of those who favour the activities of the MNCs, Gauri Shanker writes that they (MNCs) "are economic phenomenon of the twentieth century which no one can wish away except at the cost of remaining on a Robinson Crusoe's Island in an Ocean of prosperity."<sup>127</sup>

Despite some of these economic gain, the developing countries have raised the following objections :

The global giants exert a powerful influence over crucial areas of development. Their impact on development has been uneven. By their activities, MNCs tend to reinforce the dualistic economic structures and widen the economic inequalities. Their operations generally serve the interests of small urban groups

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126. Michael P. Todaro, Economic Development in the Third World, New York, Longman, 1981, p. 404.

127. Gauri Shanker, "The performance of Transnational Corporations in India", India Quarterly, Vol. XXXIII, No. 2, April-June, 1977, p. 192.

called elites against the vast majority of rural population. They divert their resources from much needed food products and other basic necessities to the manufacture of sophisticated goods primarily to meet the needs of urban elites. Their manufacturing units are in urban areas which tend to create imbalance in the urban-rural economic opportunities and create the problem of rural-urban migration.

Again MNCs influence the consumption pattern of the local population by spending lavishly on the advertisement of the inappropriate products (generally demanded by the rich section of the local population) and by using inappropriate technologies i.e., capital intensive techniques. Such activities of MNCs lead to create 'demonstration effect' that discourages the will to save and investment of the local people. Their marketing of ultimately the Western life styles exerts a destructive influence on the local culture.<sup>128</sup>

It is also said that MNCs dominate industries where output is concentrated in the hands of just a few producers. To illustrate the point one can take a few

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128. For similar views see Paul Harrison, n.101, p.348.

examples ; IBM controls about 40 per cent of the world's computer markets; seven oil companies (Exxon, Socony Mobil oil, Standard oil of California, Gulf oil, Texas oil, British Petroleum and Royal Dutch and shell) known as seven sisters, control 2/3 of world's oil and natural gas supplies, 3/4 of refining capacity outside the US and USSR, 2/3 of the tanker fleet and all major pipelines outside the US and USSR. Ford, General Motors and Chrysler have captured over 50 per cent of the world market in automobiles. In Chile, in the late 1960s, 22 MNCs controlled over 50 per cent of seven crucial industries.<sup>129</sup>

Using a sample of over four hundred of world's largest manufacturing firms, Buckley and Cassen have found a high correlation between product concentration and foreign penetration. In India also the foreign companies have been concentrating only on plantations, manufactures and service industry, Even in the manufacturing industries, the concentration has been in chemicals, drugs, processing and manufacture of metals.<sup>130</sup>

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129. As Cited in Dalip S. Swamy, n. 121, p. 92.

130. See S.K. Ghosh, "Transnational Corporations in India: Position and Performance (1973-74)", Company News and Notes, New Delhi, February, 1977, Table 13, p. 14.

Moreover, it is also argued that very little capital is actually brought into the economy by the foreign companies when they enter the developing countries and a very significant part of the direct foreign investment consists of retained earnings. In India, this is more pronounced. Taking two years (1972-73) and (1973-74), the net equity brought during 1972-73 was only about Rs. 5.6 crores for the subsidiaries and for the branches whereas Rs. 6.4 crores were taken out of the country.<sup>131</sup> By virtue of their monopoly, the MNCs make huge profits even with a small capital base. In India, the Hindustan Lever invested a capital of Rs. 2 crores but had remitted a profit of 25 crores till 1972.<sup>132</sup>

The motive for internationalisation of production, marketing and finance is clearly the higher profitability in foreign markets than in domestic markets. C.L. Reuber gives the findings of an OECD sponsored comparative study of 80 different investment of MNCs made in several underdeveloped countries.

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131. See Reserve Bank of India Bulletin on India's Investment position, 1973-74, Bombay, March 1978, pp. 170-177.

132. As Cited in Dalip S. Swamy, n. 121. p. 95. Also see M. Desai, "Multinational Corporations must be Muzzled," Indian Express, New Delhi, 16 January 1979, Peter Drucker, "Multinational Corporations", The Span, Vol. 16, No. 3, 1975, pp. 41-47, and Stanepovile, "Developing Countries and MNCs", Review of International Affairs, Vol. 25, No. 570, 5 January 1974, pp. 31-35.

He writes that :

Both the quantitative evidence and the qualitative evidence emanating from the survey report support the proposition that profitability is a fundamental determinant of foreign direct investment.<sup>133</sup>

In his speech to the UN in 1972 Allende mentioned that Kennecott Copper Corporation made an average of 52.8 per cent profits a year in Chile, while its profits in America were less than 10 per cent a year.<sup>134</sup> They have been compared to giant Octopuses, with their bellies in their home bases and numerous tentacles wrapped round the world all busy reaching out for the goodies.<sup>135</sup> The temptation of super profit and its repatriation has been one of the factors responsible for the casual and callous attitude of MNCs in the developing countries. In December 1984, 'Bhopal Gas Leak' tragedy was caused due to inadequate safety measures devised by the subsidiary of Union Carbide Company (UCC) of the US. It led to a catastrophe with 2000 people killed and more than 2,00,000 incapacitated for life.

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133. As Cited in Dalip S. Swamy, n. 121, p. 94.

134. Ibid.

135. See Gamini Seneviratne, n. 123, p. 13.

Multinationals also affect the balance of payment position by a net outflow of foreign exchange as in India they control one-eighth of the exports against one-fifth of imports.<sup>136</sup> Parliament Estimates Committees reported that Burmah Shell's remittance alone amounted to Rs. 30 crores upto 1966 whereas their capital investment was Rs. 14.53 crores.<sup>137</sup>

They have challenged the 400 year old nation states and acquired some of the attributes of sovereignty on the world stage. An astute observer Raymond Vernon has written that "sovereign states are feeling naked." This is particularly true in the case of those underdeveloped countries where the MNCs possess great negotiating powers relating to host countries, and this sovereignty is exercised on behalf of home state in foreign countries.<sup>138</sup>

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136. See V.Gauri Shanker, Taming the Giants: Transnational Corporations, New Delhi, Hind Union Press, 1980, p. 112.

137. See India, Fourth Lok Sabha Estimates Committee, 50th Report, New Delhi, 1968.

138. Dalip S. Swamy, n. 121, p. 95. Also see Lester Brown, n. 11, Raymond Vernon, Sovereignty at Bay: The Multispread of US Enterprises, London, 1971, p. 4, and M.K. Saini, Politics of Multinationals, New Delhi, Gitanjali Prakashan, 1981, pp. 162-169.

American firms crave world-wide empires with no political law to govern them because of the industrial-military-financial congressional complex in their country and which supports and legitimises the activities of the US Corporations not only in America but also in other countries where they operate.<sup>139</sup> This explains the official pressure from Washington that persuaded the Japanese multinationals to "voluntarily restrict steel exports to other countries and to accept a Joint Texas Investment sony 50/50 venture in Japan".<sup>140</sup> In 1955-56, the US government mounted pressure on the Indian government to allow Exxon to set up a fertiliser factory. India was forced to import liquid ammonia instead of using domestic napatha or coal as feedback for fertiliser.<sup>141</sup> In order to protect American assets abroad, the US government under the Hickenlooper Amendment stops aid and loans to

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139. Dalip S. Swamy, n. 121, p. 133.

140. Ibid., p. 129.

141. See Subarata Benerjee, "Transnationals and NIEO: Social and Economic Aspects", Development and Socio-economic Progress, Vol.4, No. 13, October-December 1980, pp. 25-34.



a country which nationalises American companies without "adequate compensation".<sup>142</sup> Nicaragua was told that amendment would be applied against it if the land reform legislation which affected the US fruit plantation were proceeded. The example of Chile is also a pointer. The International Telephone and Telegraph (ITT) Company in Chile actively sought first to prevent the election of Salvador Allende as President of Chile, and once Allende was elected then it conspired to overthrow him. In the process ITT not only resorted to a variety of illegal and extra legal activities, but also sought to involve the US government in open and secret activities. The apprehension was that Allende's election would lead to nationalisation of ITT company without compensation.<sup>143</sup>

Apart from coercing and destabilising activities the MNCs directly influence the politicians and important

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142. V. Gauri Shanker, n. 136, p. 112.

143. Joan Edelman Spero, The Politics of International Economic Relations, London, George Allen & Unwin, 1971, pp. 202-203. Also See the US Senate Committee on Foreign Relations Sub-Committee on Multinational Corporations, Multinational Corporations on the International Telephone and Telegraph Company and Chile, 1970-71 and United States Foreign Policy Part 1, 93rd Congress, (Washington, US Government Printing Office, 1973), p. 13.

citizens of the countries where they operate. It is revealed by the US Tariff Commission (1973) that Northrop, an Arms and Aircraft manufacturing company had influential military and governmental personnel in foreign countries as its sales advisers. The Gulf Oil company paid over \$ 4 million political contribution to the party of President Park in South Korea.<sup>144</sup>

In India, allegations have been made about the functioning of foreign firms. The parliamentary Joint Committee on Foreign Contributions (Regulation) Bill 1973 made critical remarks about MNCs activities. The closest ally of CIA is multinational companies which use various means to corrupt and subvert the independence and territorial integrity and economy of the countries where they operate. With tremendous fiscal power at their command and their firm grip over raw materials and minerals and other resources of the Third World countries, they are continuously trying to maintain their hold through massive financial support to anti-democratic elements and have become states within states.<sup>145</sup>

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144. See Dalip S. Swamy, n. 121, p. 130. Also see M.K. Saini, n. 138, pp. 206-210.

145. As Cited in V. Gauri Shanker, n. 136, p. 84.

Similar views were expressed by Vidya Parkash Dutt, M.P., in the Rajya Sabha on 14 May 1975 when he drew the attention of the government to the nefarious activities of foreign corporations and to a series of disquieting articles that had appeared in the New York times and then read what a very responsible journal said about how they function in India thus

Forty American companies widely believed that many of them are liason offices, who in turn probably deal with Indian officials — make donations to political parties, spend money to maintain lobbies inside the government and in Parliament and provide other inducements such as liquour supplies, entertainment in luxury hotels and hospitality outside India when officials travel abroad.<sup>146</sup>

These comments are also true to the other developing countries and clearly demonstrate the motivations with which these foreign companies operate their activities and conduct themselves in the politics of the Third World countries. By dabbling in the local politics the MNCs act as unofficial ambassadors of US'S foreign policy and manipulate things in their favour with the help of

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146. India, Rajya Sabha Debates, Vol. XCII, No.14, 14 May 1975, Col.8.

marine-military bases, bribery, CIA operations and donations for political parties. All these shows that the multinationals perform the role of the Trojan Horse as an instrument of "penetrative system"<sup>147</sup> in the countries where they operate.

Concerned over the undesirable and unethical activities of the transnational Corporations, the Heads of state or Government of the non-aligned countries at its Algiers Summit (1973), denounced before the world public the inadmissible practice of multinational companies, "which encroach upon the sovereignty of developing countries and violate the principles of non-interference and the right of nations to self-determination, which are the basic conditions for political, economic and social progress in these countries".<sup>148</sup>

In order to derive maximum benefits with minimum risks from transnationals, the non-aligned movement

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147. See Surendra Chopra, "US Strategy in South Asia", The Patriot, New Delhi, 4 May 1984, Also See Santosh Taneja, "New International Economic Order: India's role" in Surendra Chopra, ed., Studies in India's Foreign Policy. Amritsar, 1983, p. 459.

148. Two Decades of Non-Alignment : Documents of the Gatherings of the Non-aligned Countries, 1961-1982, New Delhi, Government of India, 1983, p. 102.

upholds the right of sovereign states to control and regulate the activities of the transnational corporations in the national interests, (in accordance with their own domestic laws and policies), even by nationalising them, and demands early completion of the international code of conduct for transnational corporations being drafted in the UN, anti-corruption measures, including international ones, and the elaboration of international standards for reports on their activity. Of special importance in the programme are the demands for prevention of transnational corporations' interference in the internal affairs of the sovereign states in which they operate.<sup>149</sup>

The assertion of the non-aligned and other developing states as discussed above, alarmed the industrialised states particularly the US (the home of most transnationals) which want self-regulations by the transnationals.<sup>150</sup> But this is rejected by the developing countries, fearing that self-regulation means self-serving or no regulation.

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149. See I.D. Ivanov, n. 75, pp. 129-130.

150. Robert S. Jordan, n. 40, pp. 71-72.

A potentially acceptable compromise between these two positions would be the regulation of transnationals under a set of international standards. The 48 member Commission on Transnational Corporations created by the UN General Assembly in 1974 has since been engaged in the task of preparing a code of conduct.

The code of conduct for multinational companies proposed by the Third World countries was supported by the socialist countries led by the USSR. They suggested a series of substantial additions as regards the social relationship at the enterprises of multinational corporations, the connection between their operations and such phenomena of the world capitalist economy as inflation, and monetary and energy crisis. In making their suggestions the socialist countries contributed substantially to making the future code of conduct for multinational corporations more comprehensive in the larger context of the world economy and international relations.<sup>151</sup>

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151. Attar Chand, Non-Aligned States : A Great Leap Forward — A study in New International Economic Order, Delhi, UDH Publishers, 1983, p. 69.

So far, no concrete proposals have emerged in this regards (the code of conduct), though the Commission on TNCs has been meeting at regular intervals to evolve a uniform Code. However, hope was expressed at the Seventh Non-aligned Summit (1983) that effective legal instrument might be finalised soon to govern the activities of transnationals.

The ministerial meeting of the Coordinating Bureau of the non-aligned movement held at New Delhi (April 1986) was of the view that early formulation of the code of conduct was not possible because of the intransigence of five Western countries — US, UK, FRG, Switzerland and Holland.

#### 6. TRANSFER OF SCIENCE AND TECHNOLOGY

The world today displays immense scientific and technological potential which feeds the scientific and technological revolution. Compared with the industrialisation stages of today's advanced countries the developing states of Asia, Africa and Latin America have the advantage of not being obliged to traverse the same road from start to finish, to undergo the difficulties and pay the cost of the trials and errors

of the trailblazers. By sharing in the advances of modern science and engineering, the Third World countries can overcome their economic backwardness more quickly and bypass intermediate stages in the development of productive forces which the industrialized countries of today could not have avoided in their development.

It is estimated that the North accounts for 96 per cent of world's spending on research and development.<sup>152</sup> Only 2 per cent of world's scientific research is carried out in the developing world and only 1 per cent of world's patents (3.5 million) are held by it.<sup>153</sup> This fact is exploited by the imperialist powers and their multinational corporations to bring pressure to bear on the Third World in politics and international economic relations. This has made the problem of technology transfer one of the most urgent issues of economic relations between the imperialist powers and the developing countries. It is not surprising

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152. See North-South : A programme for Survival, n.4, p. 194. Also see Malcolm S. Adiseshiah, "The New International Economic Order and India," Yojna, Vol.24, Nos. 1-2, 26 January 1980, p. 8.

153. Ibid.



then that the technology transfer problem has been raised by the developing countries at international forums for the past three decades and is among the central demands of their campaign for a new international economic order.

The developing countries being new comers on the international scene find themselves in weak bargaining position because of their overwhelming dependence on technology from the developed world. Furthermore, technology is a dynamic process and it is always growing, changing and developing and its price continues changing all the time. Since the modern sophisticated technology which we witness today originated in the developed industrial countries and it continues to be developed by them on the basis of superior technical know-how and infrastructure and larger financial allocation for research and development. In the absence of these prerequisites, the developing countries have no option but to import technology from the developed countries. Thus the problem of technology transfer is associated with a number of related issues. First, the market for technology is imperfect. There is wide gap between the

cost of importing it and that of indigeneously designing it. It is the relative bargaining power of the buyer and the supplier that determines its price. Secondly, technology is such an issue that its ownership, price and transfer are subject to complex transaction. This is the heart of the issue of technology transfer.<sup>154</sup> The position of the developing countries in the technology market is weak. They are handicapped in the fixing of prices, breaking down of technological packages and its process of information. It is almost impossible for them to deal on equal terms with foreign firms and international credit institutions. Thirdly, these firms do not sell but lease their patents and keep a guarded secret of their monopolistic patents. The developing countries feel that it is better to teach a person to fish rather than to give him a fish. Moreover, the cost of technology transfer is estimated between 30 to 50 billion dollars annually thus creating a drain on precious resources of the developing world. Fourthly, developing countries have been unable to obtain the technology they need at the right place under the

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154. Ervin Laszlo, et al., n. 107, p. 89.

right terms and conditions and at the right time.<sup>155</sup>

Several restrictions are imposed when transfer of technology takes place. For example, the countries are prohibited to use the transferred technology for producing exports. In Argentina 74 per cent contracts prohibited exports of manufactures produced with the help of transferred technology and in Mexico, about half of the agreements contained restriction clauses.<sup>156</sup>

Fifthly, there exists a strong tendency with the foreign firms to transfer inappropriate technologies to the developing countries. The inappropriateness of technology is as follows :

First, the transferred technology does not correspond to the factor endowment in the Third World as it is basically capital intensive and the requirement of the developing countries is that of labour intensive.

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155. S.J. Patel, "Technological Transformation of the Third World," The Political and Economic Weekly, Vol. 27, No.9, 27 February 1981, pp. 13-22.

156. The Reserve Bank of India in its report on "Survey of Foreign Financial and Technical Collaboration in Indian Industry (1964-70)" has pointed out that restrictive clauses have been imposed in regard to the use of technology, production processes and export of commodities, See Reserve Bank of India Report, Bombay, June 1974, p.1.

The capital intensive technologies tend to obstruct the most urgent need of developing countries to create new, permanent and productive jobs for their expanding population. Where the imported technology is obsolete one, it hampers the growth and development. Taking India as an example, obsolete technology created two effects : (i) a large number of scientists who could not find suitable employment and better opportunity to work, left the country (i.e., brain drain); (ii) many of the scientists who were employed by the MNCs in India became managers for looking after production and quality control aspect of the industry.<sup>157</sup> The trans-national corporations have given only that kind of technological know-how which helps them to intergrate India in their global trade and make this country ever dependent on their neo-colonialism. Their effort in India has been to encourage what is called "internal brain drain" and thus diverting the attention of local doctors, architects, engineers, scientists and academics

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157. M.K. Saini, n.138, p.279. Also see Karl P. Sauvant and Hajo Hasenpflug, eds., The New International Economic Order : Confrontation or Cooperation Between North and South, London, Wilton House Publications, 1977, p. 229.

away from the important problems. What is true of India is equally applicable to all other Third World Countries. One constantly finds developing nations with doctors specialising in diseases of the heart while preventive tropical medicine is considered to be a second rate speciality. Architects are concerned with design of modern public buildings and national monuments while low cost housing, schools and clinics remain an area of remote concern. Engineers and Scientists concentrate on modern electronic equipment, while simple machine tools, basic sanitation and water-purifying systems are ignored. Finally, some academic economists teach and do research on totally irrelevant mathematical models of non-existent competitive economies, while problems of poverty, unemployment, rural development and education are considered less intellectually interesting.<sup>158</sup>

Secondly, in many cases, the imported technologies have led to the production of goods generally demanded and consumed by the national elites, thus ignoring the basic needs of the masses of the receiver country.

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158. Michael P. Todaro, n. 126, pp. 319-320.

Thirdly, the massive influx of modern technology into the developing countries has not resulted in any significant strengthening of the receiver countries' 'technological capacity.' Instead the very fact that nearly no transfer of non-marginal R.D. & E. activities has occurred to the Third World may have been a major factor behind the further accentuation of the Third World's technological dependence.<sup>159</sup>

Lastly, the international market in technology has inherent flaws. High specialising process, components and technical activities guarantee the competitive position of companies transferring technology. The more complex and specialized is the know-how, the more inaccessible it is to potential competitors.<sup>160</sup> The more technologically sophisticated global structure, the greater becomes the influence of most technically sophisticated countries, and thus a new pattern of global behaviour emerges. The technologically developed

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159. Karl P. Sauvant and Hajo Hasenpflug, n. 157, p. 299.

160. Ervin Laszlo, et. al. eds., n. 107, p. 89.

countries assume the driver's seat in the international politics and pull the strings of technologically weak countries in their favour to maintain their sovereign position in the field of technology and international relations.

In the contemporary world, the development of science and technology has become primarily a political and social issue and not a technical one. producing technology in the present international structure means producing instruments of control and influence over other individual firms and nations. The capacity of technology to transform the nature, orientation and purpose of development is such that the question of who controls technology is central to who controls development.<sup>161</sup> This viewpoint is shared by majority of the academic reports. Oteiza and Sercovie insist on the fact that

Technological dependence is a critical factor, not only because it constitutes an effective exploitation form, but also in terms of imports of patterns of production and consumption inadequate from the point of view of a

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161. Jorge Lozoya, et. al., Alternative Views of the New International Economic Order : A Survey and Analysis of Major Academic Research Reports, New York Pergamon Press, 1979, p. 74.

development socially satisfactory to the underdeveloped countries. The usual way of transferring technology taking place mostly through multinational corporations, contributes to the production of consumer goods for the privileged minorities of the Third World countries, drains resources including brains — frustrates social and local initiatives and aggregates itself to dependence pattern.<sup>162</sup>

It is thus clear that technology when transferred acts as a support for the transfer of economic pattern of production of the transnational enterprises which often takes place between the parent company and its foreign affiliates on a purely internal process and without in any way increasing the technological autonomy of the host country.<sup>163</sup>

The developing countries cannot reconcile themselves to the fact that their efforts to accelerate their economic growth by importing up-to-date technology very often trap them in a new form of dependence—technological dependence. Being unable to give up importing technology from the industrialised capitalist countries, they strive to change the conditions of technology transfer. Accordingly, the non-aligned and

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162. Ibid.

163. Ibid.



other developing countries demands the formulation of "an international code of conduct for the transfer of technology corresponding to needs and conditions prevalent in developing countries." The programme also contains recommendations to increase aid to these countries in executing research and development Programmes and developing suitable local technology and also measures to reduce the brain drain or compensate the developing countries for the loss.<sup>164</sup>

The US favours a code of conduct for the transfer of technology but adamantly opposes any attempt to make one mandatory. The code should stimulate, not legislate, and a mandatory code would be unworkable and tend to inhibit the very reason for having a code. The US resisted any effort to give UNCTAD a role in World Intellectual Property Organization (WIPO's) Geneva Conference in 1980 for revising the Paris Convention for the protection of Industrial property but favoured and has supported a revised convention that takes the developing countries interests and problems fully into account.<sup>165</sup>

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164. See A/Resolution 3209(S-VI), 1 May 1974. Also See, I.D. Ivanov, n. 75, pp. 128-129.

165. UNCTAD, "Restructuring the legal and Juridical Environment."

The US strongly favours an increased developing countries' technology capacity but has opposed setting up an international fund, an open-ended mandate for UNCTAD (including increased staff and programme), or a comprehensive global strategy.<sup>166</sup> In regard to the issue of brain drain, the US has opposed UNCTAD involvement and, especially, any idea of a labour compensatory scheme.

The Soviet Union favoured the earliest completion of the work over the international code of conduct (with legal backing) in the field of transfer of technology; the limitation of the "brain drain" from the developing countries and compensation to them of losses caused by such brain drain; increased attention to the establishment of the infrastructure of science and education within the framework of technical assistance to the developing countries.<sup>167</sup>

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166. US and Group B statement at the Final Plenary Session of the IV UNCTAD Session.

167. See Statement by the Head of the Delegation of the USSR, A.N. Manjulo, Deputy Minister for Foreign trade of the USSR, at the Sixth Session of UNCTAD in The USSR and International Economic Relations, Moscow, Progress Publishers, 1985, p. 352.

This support is inherent in the USSR and other socialist countries' belief that the transfer of technology is of assistance in achieving the economic development goals of the developing countries. In this respect, they recognise the importance of such questions as the development of the material and technical structure of the developing countries and the creation in them of their own scientific and technical potential, the training of national specialists, the optimum choice of technology, the prevention of the exodus of national specialists and others.<sup>168</sup>

The socialist countries also shared the belief that the transfer of technology must not lead to the formation of the technological dependence which may in certain circumstances constitute a serious obstacle to sovereign economic development.<sup>169</sup>

After years of intensive negotiations in UNCTAD, draft of the code of conduct has now reached its final stages. The differences<sup>170</sup> between the developed

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168. Joint Statement of the Socialist States at the Fourth Session of UNCTAD, n.23.

169. Ibid.

170. The developed countries notably the US wanted a voluntary code of conduct i.e., an international code of non-binding character. The developing countries wanted its formulation and implementation in a formalised manner.

and the developing countries over the final shape of the code have narrowed down. The code, when it is concluded, will help to facilitate the transfer of technology among countries and thus constitute a major land-mark in international economic cooperation.

For strengthening the technological capacity of the developing countries, UNCTAD IV launched a forward-looking action by establishing the Advisory Service on Transfer of Technology. Its main task was to strengthen at the national, regional and inter-regional levels, the technological capacities of the Third World countries. UNCTAD V made a significant contribution by highlighting a number of sectors and areas of critical importance to the developing countries where the use of technology transfer could bring about technological transformation in these countries. Through its Resolution 112(V) it called upon the developing countries to formulate technology plans as an integral part of their national development plans; to formulate and implement policies on transfer and development of technology in all its aspects; to establish appropriate institutional machinery for implementing the technology plans; to initiate

manpower planning for the optimum utilisation of qualified manpower to monitor, screen and evaluate imported technology with a view to maximising the domestic technological inputs. The Seventh Non-aligned Summit at New Delhi in 1983, stressed the need for cooperation among the developing countries themselves in the fields of science and technology with a view to strengthen their technological capacities. As a step in this direction the Summit welcomed the decision to establish a Centre for Science and Technology for Development. It urged for its immediate set-up and to make it operational as soon as feasible.<sup>171</sup> The decision regarding the setting up of this Centre in India has been arrived at. Its operation, however, requires the ratification of its statute.

With regards to the issue of reverse transfer of technology (brain drain), a number of indepth studies have been made at UNCTAD level to formulate proposals for action at international and national levels to reduce its negative effects on the developing countries.

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171. New Delhi Summit Documents, n.6, p. 86.

No proposal has so far emerged. At its Summit in New Delhi, the non-aligned meeting expressed the opinion that the UN General Assembly and UNCTAD should continue to keep the different facets of this problem under close review.<sup>172</sup>

As a result of these activities of UNCTAD, an equitable sharing of the benefits of the transfer of technology between the developed and developing countries would be strengthened to bridge the technological gap between the developed and developing countries.

The above study of trade, (commodity and manufacture), international finance, aid, international debt, multinationals and science and technology and the superpowers stance reveals that the regime of unequal power structure continues to persist. These issues have been debated a number of times at various forums within the United Nations and outside it, like CIEC (1975-77) and Cancun (1981) but no significant breakthrough has been made in resolving these issues because of the hostile attitude of the US and the half hearted support of the USSR.

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172. Ibid., p. 125.

## C O N C L U S I O N

The chief impulse behind the non-aligned movement was the urge of newly independent countries to assert their independence and freedom of choice in international affairs. When the movement was launched, the world was exposed to cold war, which had virtually ended the dialogue between the great powers. The world was divided into two hostile camps, and this polarisation could neither promote justice nor provide stability to international relations. In this desperate situation, the non-aligned movement emerged as a third force, which with the passage of time came to enjoy the support of a vast majority of nation-states which sought to establish a just and stable international order by deliberately choosing not to join either of the two hostile camps.

The policy of non-alignment is based on a sound understanding of international politics and is in tune with the resurgent Asian, African and Latin American nationalism, because it is built on those basic urges which are common to all national movements. It is no coincidence that the main principles

of non-alignment coincide with the national urges of the newly independent countries. In these countries there is the desire to throw out all vestiges of foreign domination and to shape their future to the best of their ability. In a world of ever increasing interdependence, they want to be independent in foreign as well as domestic policies as far as possible; they want to play a major role in world affairs, which is in consistence with their past achievements, present possibilities and future potentialities. Since the newly free countries had so many desires in common, it was but natural for them to come together to actualise these desires. And it is no chance that an overwhelming majority of the non-aligned states are newly independent countries. The seeds of non-alignment were present in their respective struggles for liberation.

After the Second World War, there emerged two mutually antagonistic superpowers, with a number of satellites around them, and they were determined to dominate the vast areas of Asia, Africa and Latin America world which were struggling to break the shackles of colonialism. It appeared to many at that stage that the small, weak and poor nations had no



option but to join this or that bloc. The big powers themselves thought so. They were shocked when there arose a voice which proclaimed the third alternative, non-alignment, and they denounced it outrightly.

At the outset, the non-aligned countries saw it clearly that the struggle between the superpowers was not primarily ideological but on for power. Besides they realised that neither of the ideologies espoused by the superpowers was conducive to them in toto. Their national situations precluded a fanatical adherence to this or that ideology. Even when they accepted one or the other ideology in part or even in full, they were not prepared to join an ideological crusade. The non-aligned leaders realised that their interests would be better served if they did not join either side. They knew it that such a non-aligned position was possible because there was a stable balance of power in the world which made a major war unlikely, if not impossible. The non-aligned countries not only refused to side either of the superpowers but also opposed them in accordance with the principles of non-alignment. Thus, the non-aligned movement put a halt to the growing bipolarity of the world which would have driven it to

a point of no return and eventual catastrophe. In addition, the movement strengthened the non-aligned nations and enabled them to influence world affairs in a larger measure than it would have been otherwise possible for them.

The approaches of the two superpowers to non-alignment differ very sharply. The attitude of the US to the movement is highly ambiguous. The foreign policy makers and State Department officials classify the non-aligned countries into the "positive" and the "negative" ones, or the "genuine" and the "base" ones. Dulles went as far as to call the non-aligned stance "immoral" such a classification of non-aligned countries by the US reflects its own mistaken understanding of non-alignment, or its desire that the non-aligned movement, to be acceptable, should advance its foreign policy interests. This is why it appreciates some pro-US non-aligned countries and denigrates those which adopt an uncompromising anti-colonial and anti-imperialist attitude. In contrast, the USSR has never found faults with the non-aligned movement. On the contrary, it has always supported it.

Non-alignment is not only a political doctrine but also represents the urge for a new world economic order. Since there is an interface between economics and politics, the non-aligned countries have got neither power nor wealth, neither security nor development. This has created a lot of resentment and discontentment in the non-aligned and other developing countries.

The objectives of the non-aligned and the rest of the developing countries have been two-fold, political and economic. The former is regarded as an instrument to promote the latter, as in the context of national economy, political independence is deemed necessary to attain economic self-reliance. The non-aligned and other developing countries, therefore, clamour for a radical restructuring of the existing exploitative international economic structure. These countries' interest in the NIEO largely revolves around the restructuring of international financial and trading systems so as to gain political and economic power. They, perhaps believes that political power is a vital factor that influences international economic relations and its management. The NIEO, therefore, is perceived not

only an instrument of global economic welfare but also a mechanism for the transformation of power structure.

The movement has tackled foreign economic matters from the very outset, it spearheaded the other developing countries to assume a political force in the international arena and got manoeuvrability to influence the world economic relations. They came to recognise their economic potential as the suppliers of strategic raw material and their markets as the absorbers of developed countries' products. The political and economic leverage made the developing world more determined to work for the creation of an international economic order that could be more responsive to the development demands of the Third World countries in their efforts to realise the development goals and political aspirations.

As a result of the developing countries (including the non-aligned) efforts, the First and Second UN Development Decades were announced. Apart from it, the agencies like the IFC, IDA, UNCTAD, UNIDO were created to meet the development needs of the

Third World countries. Some changes in the GATT ideology were introduced to widen the scope of Third World trade. Despite the creation of new agencies for finance and trade and the changes in the GATT principles, the strings of the world economy were still in the hands of the North and it continued to be dominated by the North. To get rid of North-dependency-centred order, the non-aligned countries gave a call at the Fourth Non-aligned Summit (1973) for convening a special session of the UN General Assembly to consider the issues of global development and cooperation. The oil crisis added a new dimension to the non-aligned demand for a special session of the UN. Though initially the North was not in a mood to oblige the non-aligned states and other developing countries by agreeing to their demand, yet the North's vulnerability and dependence on strategic raw materials compelled it for the dialogue with the developing countries under the auspices of the UN, and the developments that followed were significant in the context of international relations.

The Sixth and Seventh Special Sessions of the UN General Assembly (which were the results of the

non-aligned initiatives) brought the North and the South to a negotiating table for resolving the global problems faced by the international community.

At the Sixth Special Session, the US defended the present economic order and refused to deal with any proposal for radical change, and made series of attempts to divide the developing countries. However, at the Seventh Special Session the US became more accommodating and came out with a proposal. On the other hand, the Soviet Union at the Sixth Special Session, declared its willingness to extend moral support to the developing States' demand, and severely criticized the developed countries (Western) for creating problems for the Third World countries, and made proposals towards disarmament and that part of the savings be devoted to the needs of the Third World.

The attitude of the Soviet Union at the Seventh Special Session is virtually similar to its stand at the Sixth Special Session.

The period between 1973 and 1975 was a time of Third World assertiveness when the non-aligned and

other Third World countries including the OPEC compelled the developed nations to discuss all the NIEO issues at the Conference of International Economic Cooperation (CIEC), while the developed Western countries wanted to discuss only the problem of energy crisis. The Dakar Conference (1975) addressed itself to the problem of raw materials and the Lima Conference (1975) set a target of 25 per cent share of developing countries in the global industrial development by the year 2000. At Lome Convention, the European countries agreed to introduce the stabex scheme for the price stabilisation of export commodities for 46 African, Carribbean and Pacific countries.

Despite all these developments, the protracted negotiations between the developed countries and the developing ones (within the UN and outside it) have yielded no significant results. At UNCTAD-IV, Integrated Programme for Commodities was adopted but International Commodity Agreement and the Common Fund, on which the developing countries had pinned their hopes in ushering in a new commodity order have not been implemented, only one commodity agreement has been negotiated and that too, in respect of rubber in which

the US was very much interested. The superpowers agreed to the creation of the Common Fund for financing the buffer stocks at the CIEC but it is still in the process of ratification. No tangible mechanism has been evolved to establish a fair and equitable relationship between the prices of the commodities that the developing countries export and the manufactures that they import. In the manufactured trade, tariff and non-tariff barriers in one form or the other continue to persist, thus adversely affecting the prospects of the developing countries' earnings. The Tokyo Round Negotiations (1973-79) failed to provide necessary safeguards against the protectionist devices. Being disgusted with the world trade system, the developing countries has proposed that UNCTAD be made a sole agency for regulating the international trade and removing the existing imbalance in the trade pattern. Such a trading system with universal participation is the sine qua non for the global economic health and world prosperity.

In the field of international finance, the negotiations between the topdog and the underdog states, have followed the same beaten track as that of the



trade. The structural changes in the Brettonwoods institutions are long overdue as they have failed to meet the development requirements of the developing countries. The financial issues around the IMF and IBRD are hanging in balance. The repeated demand of the developing countries for convening the new Brettonwoods conference has so far fell on the deaf ears of the North.

As regards aid, the US is opposed to the demand of 0.7 per cent of its GNP, while the USSR accepts the target but refused responsibility for its implementation. The Third World countries have therefore not achieved their goals in this respect, with the result that the pace of development in these countries are at a snail speed. The developed countries must recognise the fact that enhanced aid for the Third World development is in their own interest as the acceleration of development would contribute to world recovery and the recovery of the industrialized countries.

On international debt, the North rejected a general approach to external debt relief as proposed by the South.

As regards the regulation of MNCs, a 48 member Commission was appointed by the UN General Assembly in 1974 for evolving a code of conduct for MNCs activities. But it has not been finalised so far because of perceptual distance between the US on the one side and the developing countries and the USSR on the other. The US favour a voluntary code of conduct while the developing countries alongwith the USSR want to regulate MNCs in accordance with the national law of the developing countries.

On code of conduct for the transfer of technology, the US is opposed to a mandatory code while on the other hand, the USSR supports the position of the developing countries for a legally binding international code of conduct for the transfer of science and technology. However, the code of conduct for regulating technology transfer has not yet taken the final shape. It is, however, hoped that when finalised it would be of a legally binding nature.

Because of the inconsequential results of the North-South dialogue, one might perhaps conclude that the dialogue has been an exercise in futility. But

North-South dialogue has led to some minor reforms in the functioning of monetary institutions. The IMF has made some adaptations in the mode of lending facilities. It has provided adhoc and temporary facilities to help member countries facing financial problems. It arranged oil financing facility in 1974 and 1976 and Supplementary Financing Facility (SFF). It initiated an External Fund Facility in 1974, under which member countries could borrow from the IMF, upto 140 per cent of their quota to correct disequilibrium in the balance of payment. For compensating the shortfall in export income from primary commodities, IMF made improvements in the operation of its Compensatory Financing Facility (CFF) by raising the member's entitlement to 100 per cent of their quota. Apart from these facilities, the Fund quota was raised from 60 billion SDRs to 90 billion SDRs at the Eight General Review in 1983 and the member countries could borrow  $4\frac{1}{2}$  times of their quota from the IMF. In 1981, it made the largest allocation of 5 billion SDRs loan to India to enable her tide over the balance of payment difficulties.

The World Bank, on its part, has made changes in the operation of financial resources. It has

successfully negotiated various rounds of replenishment of IDA which provides soft loans to developing nations for supplementing their development efforts. It has shown greater flexibility in the selection of sectors and projects that needed finance. The projects relating to energy, mineral and rural development received liberal financial assistance from the World Bank.

In its attempt to alleviate the problem of debt crisis and facilitate lending operations, the World Bank introduced the scheme of Structural Adjustment Loans (SAL) in 1980. This programme was intended to meet the second 'oil shock' and to avert the impending debt crisis since commercial banks were displaying increasing reluctance to expand lending facilities to many Third World countries. Under this scheme the funds could be quickly disbursed and used for paying general imports. Apart from the limited benefits that SALS could offer, the developing countries view these facilities as an instrument forcing them to adopt open-door policy in the Third World markets.

The changes introduced in the international financial system could not provide much relief to the

developing countries because of the conditions associated with the financial flows. The developing countries still feel that they are the hewers of wood and drawers of water in the global economic set-up and the so called changes have not provided any mechanism for the economic decolonisation. The participation in the decision-making process remains inadequate and changes in the financial set-up, from the developing countries point of view, lack breath and depth of the structural reforms implicit in the new world order.

The non-aligned movement has played a catalytic role in the debate on international economic relations over the years. At certain critical junctures like UNCTAD 1, and the aftermath of the 1973 oil shock, and in 1979 the movement has helped to articulate a common position for all the developing countries. It has pioneered the concept of South-South cooperation which is a logical development of non-alignment.

However, its objective for achieving a NIEO seems a far cry, but this is no fault of the movement. The deadlock over the debate could be attributed to the status quoists who are not in favour of structural changes as they feel that these might create

economic and political problems for them. The economic crisis of simultaneous inflation and recession and the political opposition from the domestic organized groups like business community and MNCs have perhaps deterred the West particularly the US from agreeing to the demand of structural changes in the existing world order. But the major obstacle in the way of this demand has been the perceptual distance between the developed Western states led by the US and the developing countries. The West is willing to give some concessions to the Third World to mitigate their economic difficulties. But the developing countries want larger and equitable participation in the management of global economic system to solve their problems. The West, instead of agreeing to the genuine demands of the developing countries, follows the policy of differentiation and graduation. It has associated the OPEC with management structure of the IMF in 1976 by giving 5 per cent more voting rights and it might associate some countries like Brazil, Mexico, Taiwan and South Korea with the OECD. The West is willing to agree to some minimal changes here and there to pacify the Third World grievances. But the developing countries

view such moves on the part of the West, as diversionary tactics. They contend that the West or North is clinging to the old imperialist policy of 'divide and rule' by creating 'North' amidst the developing world and following the policy of differentiation and graduation to play one country against the other. Again, the developed Western nations do not allow the UN (where the developing countries enjoy the numerical superiority and one member one vote rights) to acquire any kind of supervisory role over the IMF. The US and other developed Western countries do not agree to a discussion in the UN, fearing the tilting of the balance of power in favour of the Third World. To maintain their hegemony over the financial system, the developed West consider the IMF, IBRD and its affiliates as the proper agencies for dealing with the financial matters and not the United Nations. Such an attitude on the part of the West is causing irritation and anguish to the developing countries.

The role played by the socialist countries notably the USSR in the debate on a New International Economic order has been somewhat passive, as they feel they do not have the same kind of moral and

economic responsibility toward the developing countries as the Western industrialized countries notably the US. The socialist countries are also not members of OECD, the World Bank, or IMF, and have thus not been involved in the negotiations on trade, aid, and development issues.

Now that the USSR is embracing market economy and seeking membership of the IMF for instance, there is apprehension that it might join the bandwagon of exploiters and this would further add to the economic problems of the Third World countries.

It may be pointed out that the confrontation between the developed West and the developing world is not desirable. The developing world being an unequal partner in the global development, cannot match the economic and military power of the dominant force in the present world. The US which controls more than half of the food produced in the world and now leading in the nuclear arms race, can send the world economy down the hill, thus complicating the confounding world problems. So it would be better for the developing World to face the political costs of negotiations



rather than to have the politics of confrontation. The Third world framework does not subscribe to the policy of confrontation nor does it endorse the Marxist viewpoint that aims at destroying the capitalist structure of the present world order through confrontation. And besides, the Marxists viewpoint now stands irrelevant as the socialist states are all, with a few countries as exceptions geared towards embracing the capitalist order.

The alternative to confrontation is the North-South cooperation. Realisation of the NIEO objectives is feasible only in an environment of cooperation and understanding. The North no doubt, stresses global cooperation but does not commit itself to structural changes in the world order. The structural changes, however, are the Sine qua non for global cooperation in an interdependent world. The recovery of Northern economies is linked with development of the Southern states and the areas of money, finance and trade provide a wide scope for cooperation. Instead of appreciating the essence of interdependence and mutual-interest thesis, the developed countries hold their own summits to study international environment

and chalk out strategy to oppose the developing countries' well founded proposals. At UNIDO III, for example, several Western nations dragged their feet on compromises that were reached at UNCTAD V on trade, industrial development and technology transfer. Now it is reported that the US is seeking support of the industrialised Western nations to down-grade and reduce the scope of UNCTAD, perhaps this institution is not fitting well in the scheme of the US administration.

In the light of stiff opposition by the West led by the US, it appears that restructuring of the existing order is a remote possibility. But the South still feels hopeful of getting the present order restructured. It may be recalled that once it was said that political decolonisation would never come. But it has now become a reality. The new emerging forces of nationalism in the Third World are determined to assert their national independence and dignity in the economic sphere by building countervailing power through individual and collective self-reliance.

It can also be said that the cooperation of other geo-economic groups can also help the developing

countries in strengthening their strategy. The Soviet Union and other socialist countries who have extended a good deal of support to the developing countries in their struggle for a NIEO, if they are serious about changing the present North-South relations, can take initiative in participating in North-South negotiations, thus pose a challenge to the West as they did during the period of cold war—1950s and 1960s. The West then, had agreed to set up IDA, IFC and UNCTAD to meet some of the demands of the developing countries about changes in the matters of aid and trade. But there is now great apprehension following the virtual end of cold war and the socialist countries going capitalist. They, it is feared might join the bandwagon of exploiters.

The OPEC can also help the less fortunate members of the Third World by applying the same old oil diplomacy which compelled the West to discuss the whole problem of Third World development at the Sixth Special Session and CIEC. It is high time for the OPEC to identify her interests with the Third World and not with the West.

Since the EEC has larger stakes in the restructured order, constructive approach of its big states can compel the US to reorient the foreign policy towards the Third World demands as it did at the time of energy crisis. In the wake of oil embargo, the US had thought of taking a military action and using food as political weapon against the OPEC. But it had to retrace its steps as the EEC did not endorse the action. Moreover, the EEC attitude compelled the US to de-fuse the energy crisis through the UN forum.

Today the industrial countries need the developing nations' markets as badly as the developing nations need finance and technology. There is now a real basis for cooperation between the North and the South and also within the South. The realisation of this cooperation in specific institutions and policies is what will constitute the NIEO. What is required of the non-aligned movement is a fresh definition of the NIEO that can serve as a basis for the global negotiations that are under discussion. The time is ripe for the movement to play its historic role of catalysing new ideas and initiatives and building up the solidarity of the Third World on the strength of these ideas.

A word or two about the utility of the non-aligned movement with the end of the cold war might be necessary here. Non-alignment in brief emerged because of the desire of the members to avoid domination and injustice in all their manifestations and to struggle for peace and development.

In the wake of the demise of the cold war and the ~~superpowers~~<sup>1</sup> rapprochement, non-alignment is even more valued than before. While detente is a happy development, the economic rivalries, the economic pulls and pressures, the cultural pulls and pressures, the information pulls and pressures, still exist in the world.

Therefore, unless and until, the non-aligned movement reach or fulfil the concept of one world, where there are no military alignments, where there are no economic rivalries, which is a distant dream, non-alignment will have to play a greater role than before in the establishment of a NIEO.

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A P P E N D I X - I

Declaration adopted by Sixth Special Session of the  
UN General Assembly On May 1, 1974.

3201 (S-VI) Declaration on the Establishment of a New  
International Economic Order.

The General Assembly Adopts the following  
Declaration :

DECLARATION ON THE ESTABLISHMENT OF A NEW INTERNATIONAL  
ECONOMIC ORDER.

We, the members of the United Nations,

Having convened a special session of the  
General Assembly to study for the first time the problems  
of raw materials and development, devoted to the consi-  
deration of the most important economic problems facing  
the world community.

Bearing in mind the spirit, purposes and  
principles of the Charter of the United Nations to promote  
the economic advancement and social progress of all  
peoples,

Solemnly proclaim our united determination  
to work urgently for THE ESTABLISHMENT OF A NEW INTER-  
NATIONAL ECONOMIC ORDER based on equity, sovereign equality,  
interdependence, common interest and cooperation among  
all states, irrespective of their economic and social  
systems which shall correct inequalities and redress  
existing injustices, make it possible to eliminate the  
widening gap between the developed and the developing  
countries and ensure steadily accelerating economic  
and social development and peace and justice for present  
and future generations, and to that end, declare :

1. The greatest and most significant achievement during  
the last decades has been the independence from colonial  
and alien domination of a large number of peoples and  
nations which has enabled them to become members of the  
community of free peoples. Technological progress has  
also been made in all spheres of economic activities in

the last three decades, thus providing a solid potential for improving the wellbeing of all peoples. However, the remaining vestiges of alien and colonial domination, foreign occupation, racial discrimination, apartheid and neo-colonialism in all its forms continue to be among the greatest obstacles to the full emancipation and progress of the developing countries and all the peoples involved. The benefits of technological progress are not shared equitably by all members of the international community. The developing countries which constitute 70 per cent of the world's population, account for only 30 per cent of the world's income. It has proved impossible to achieve an even and balanced development of the international community under the existing international economic order. The gap between the developed and the developing countries continues to widen in a system which was established at a time when most of the developing countries did not even exist as independent states and which perpetuates inequality.

2. The present international economic order is in direct conflict with current developments in international political and economic relations. Since 1970, the world economy has experienced a series of grave crises which have had severe repercussions, especially on the developing countries because of their generally greater vulnerability to external economic impulses. The developing world has become a powerful factor that makes its influence felt in all fields of international activity. These irreversible changes in the relationship of forces in the world necessitate the active, full and equal participation of the developing countries in the formulation and application of all decisions that concern the international community.

3. All these changes thrust into prominence the reality of interdependence of all the members of the world community. Current events have brought into sharp focus the realization that the interest of the developed countries and those of the developing countries can no longer be isolated from each other, that there is a close inter-relationship between the prosperity of the developed countries and the growth and development of the developing countries, and that the prosperity of the international community as a whole depends upon the prosperity of its

constituent parts. International co-operation for development is the shared goal and common duty of all countries. Thus, the political, economic and social well-being of present and future generations depends more than ever on co-operation between all the members of the international community on the basis of sovereign equality and the removal of the disequilibrium that exists between them.

4. The new international economic order should be founded on full respect for the following principles :

(a) Sovereign equality of states, self-determination of peoples, inadmissibility of the acquisition of territories by force, territorial integrity and non-interference in the internal affairs of other states;

(b) The broadest co-operation of all the states members of the international community, based on equity, whereby the prevailing disparities in the world may be banished and prosperity secured for all;

(c) Full and effective participation on the basis of equality of all countries in the solving of world economic problems in the common interest of all countries, bearing in mind the necessity to ensure the accelerated development of all the developing countries, while devoting particular attention to the adoption of special measures in favour of the least developing countries as well as those developing countries most seriously affected by the economic crisis and natural calamities, without losing sight of the interests of other developing countries;

(d) The right of every country to adopt the economic and social system that it deems the most appropriate for its own development and not to be subjected to discrimination of any kind as a result;

(e) Full permanent sovereignty of every state over its natural resources and all economic activities. In order to safeguard these resources, each state is entitled to exercise effective control over them and their exploitation with means suitable to its own situation, including the right to nationalization or transfer of ownership to its nationals, the right being an expression of the



full permanent sovereignty of the state. No state may be subjected to economic, political or any other type of coercion to prevent the free and full exercise of this inalienable right;

(f) The right of states, territories and peoples under foreign occupation, alien and colonial domination or apartheid to restitution and full compensation for the exploitation and depletion of, and damages to the natural resources and all other resources of these states, territories and peoples;

(g) Regulation and supervision of all the activities of transnational corporations by taking measures in the interest of the national economies of the countries where such transnational corporations operate on the basis of the full sovereignty of those countries;

(h) The right of the developing countries and the peoples of territories under colonial and racial domination and foreign occupation to achieve their liberation and to regain effective control over their natural resources and economic activities;

(i) The extending of assistance to developing countries, peoples and territories which are under colonial and alien domination, foreign occupation, racial discrimination or apartheid or are subjected to economic, political or any other type of coercive measures to obtain from them the subordination of the exercise of their sovereign rights and to secure from the advantages of any kind, and to neo-colonialism in all its forms, and which have established or are endeavouring to establish effective control over their natural resources and economic activities that have been or are still under foreign control;

(j) Just and equitable relationship between the prices of raw materials, primary commodities, manufactured and semi-manufactured goods exported by developing countries and the prices of raw materials, primary commodities, manufactures, capital goods and equipment imported by them with the aim of bringing about sustained improvement in their unsatisfactory terms of trade and the expansion of the world economy;

(k) Extension of active assistance to developing countries by the whole international community, free of

any political or military conditions;

(l) Ensuring that one of the main aims of the reformed international monetary system shall be the promotion of the development of the developing countries and the adequate flow of real resources to them;

(m) Improving the competitiveness of natural materials facing competition from synthetic substitutes;

(n) Preferential and non-reciprocal treatment for developing countries, wherever feasible in all fields of international economic co-operation for the transfer of financial resources to developing countries;

(o) Securing favourable conditions for the transfer of financial resources to developing countries;

(p) Giving to the developing countries access to the achievements of modern science and technology and promoting the transfer of technology and the creation of indigenous technology for the benefit of the developing countries in forms and in accordance with procedures which are suited to their economies;

(q) The need for all states to put an end to the waste of natural resources including food products;

(r) The need for all developing countries to concentrate all their resources for the cause of development;

(s) The strengthening, through individual and collective actions, of mutual economic, trade, financial and technical co-operation among the developing countries, mainly on a preferential basis;

(t) Facilitating the role which producers' association may play within the framework of international co-operation and, in pursuance of their aims, inter alia assisting in the promotion of sustained growth of the world economy and accelerating the developing countries.

5. The unanimous adoption of the International Development strategy for the Second United Nations Development Decade was an important step in the promotion of international economic co-operation on just and equitable basis. The accelerated implementation of obligations and

commitments assumed by the international community within the framework of the strategy, particularly concerning imperative development needs of developing countries, would contribute significantly to the fulfilment of the aims and objectives of the present Declaration.

6. The United Nations as a universal organisation should be capable of dealing with problems of international economic co-operation in a comprehensive manner and ensuring equally the interests of all countries. It must have an even greater role in the establishment of a new international economic order. The Charter of Economic Rights and Duties of states, for the preparation of which the present Declaration will provide additional source of inspiration, will constitute a significant contribution in this respect. All the states members of the United Nations are therefore called upon to exert maximum efforts with a view to securing the implementation of the present Declaration, which is one of the principal guarantees for the creation of better conditions for all peoples to reach a life worthy of human dignity.

7. The present Declaration on the Establishment of a New International Economic Order shall be one of the most important bases of economic relations between all peoples and all nations.

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